

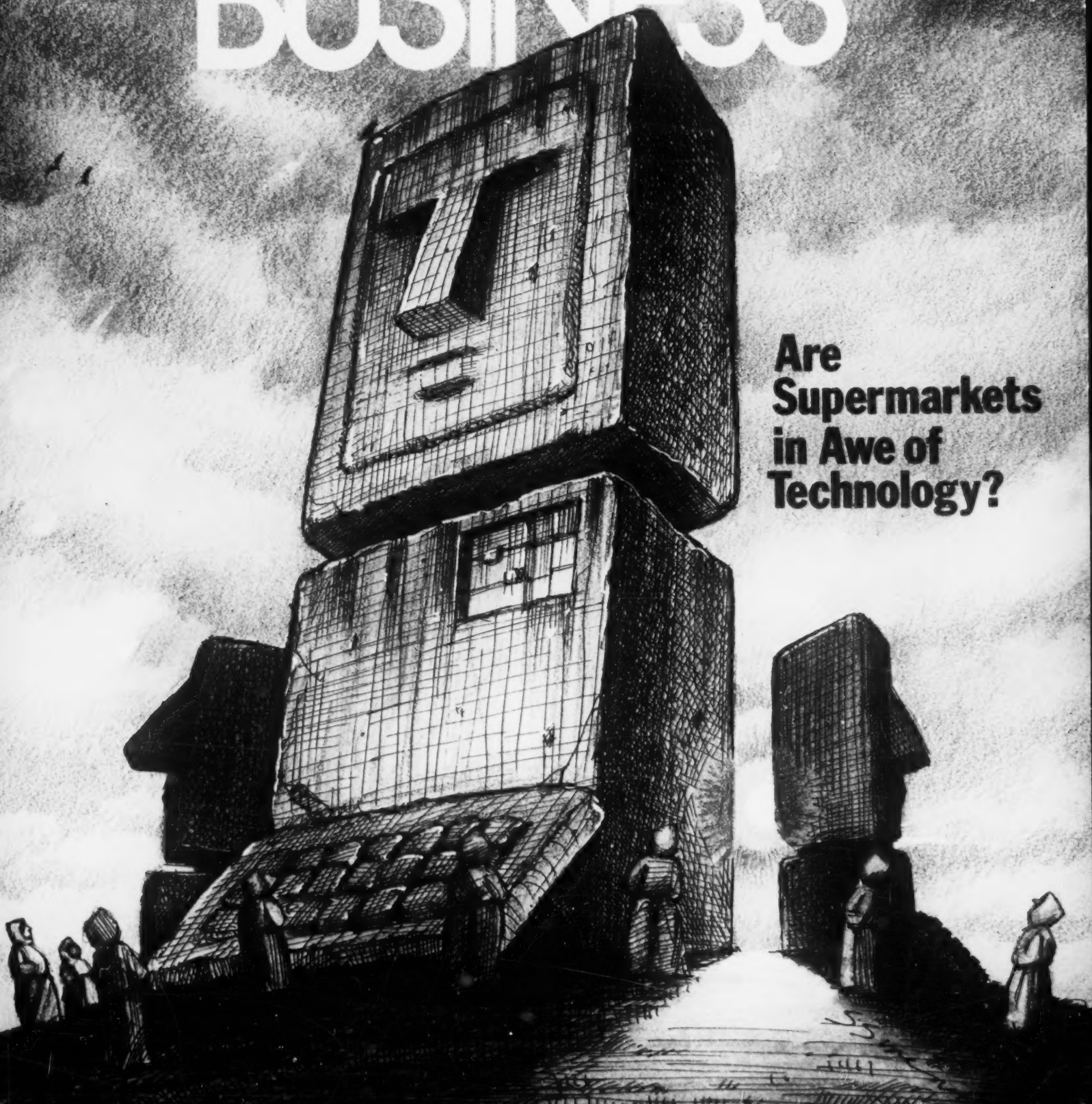
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SUPERMARKET BUSINESS

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VOLUME 44/NUMBER 10
OCTOBER 1989

**Are
Supermarkets
in Awe of
Technology?**



SUPERMARKET BUSINESS

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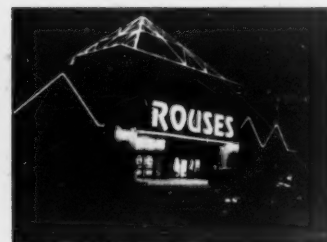
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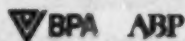
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By Ken Parich,
Editor-in-Chief

Are Supermarkets in Awe of Technology?

We are only just beginning to really apply computer-to-computer "buying" in an industry whose inventory is probably 85 percent "replenishment." The industry is just in the earliest stages of computer replenishment at the store level, and this

Think of technology in cost effective terms. It is not a god. It is a tool.

is still spoken of as one of the seven great wonders of the universe. Part of the problem, of course, was that hardware people left it to the trade to develop its own software programs, for the most part. That was hardly "user friendly."

How many trade shows have you attended where the demonstrators took you through meat cutting tests, or networked scales and front ends demonstrations, where the programming for such operations either did not exist or were going to cost you a small fortune to develop? This, too, was not user friendly.

Now the industry has what might almost be described as a second chance. There are advances being made in other retailing areas that may prove useful in the grocery industry, if only in terms of providing an example of how an unafraid, cooperative effort can really break new ground. I am thinking of some of the suppliers to the garment, department stores and mass merchandisers industries that have worked to solve the horrendous inventory and delivery problems they faced.

True, they had the advantage of coming after the work of the grocery industry in UPC and UCS. But in five years, or so, they have rushed past this industry in developing Electronic Data Interchange, and Quick Response application strategy. One of the immediate results could be that the mass merchan-

disers can get into the grocery industry a lot faster and more profitably than the grocery industry can get into mass merchandising of general merchandise. That's why a mass merchandiser is a lot more likely to make a hypermarket work successfully than a grocery operator can.

The major manufacturers of computerized hardware in this industry did not do this in a cooperative or leadership way. Perhaps they couldn't have; perhaps they shouldn't have. Perhaps they couldn't know. But I tend to believe that short-term fears of competitive advantage or disadvantage played too large a role at both the manufacturer and the retailer levels.

Each was either too much in fear of "helping" to sell the other guy's product, looking for a real or imagined marketing advantage, or on the retail side, too much in awe of technology to really take command. Fortunately, we may be getting another chance. (See Richard Shulman in this issue on "Technology," and the cover story by Mike Duff.)

Retailers and wholesalers are absolutely right in not rushing to buy the latest in computerized brooms or refrigerated cases if the cost cannot be justified in easily identifiable benefits. There isn't enough slippage in the system to justify that, and there shouldn't be. Because that would mean that the customer is paying for it, anyway. But... the progress, or lack of it, that such projects as UCS has seen, does not suggest that this industry is in any great rush to solve its problems of distribution or to improve its efficiency in any broad, industry-wide effort.

Perhaps the problem is that we need to demonstrate a little less worship of technology in the abstract, a little less awe and respect toward technology. Think of technology strictly in cost effectiveness terms. It is not a god. It is a tool. ■



PRODUCE

Produce Census, Sales & Margins

Up was the only direction that sales and profits in the produce department were headed last year. With sales in each of 30,440 supermarkets reaching \$16,932 per week, total produce sales had little trouble topping the \$26.8 billion mark.

The vast majority of supermarkets (85%) reported that their produce sales increased last year. The average reported increase was 9.3%. This increase was higher than those that had been reported in previous years. Sales increases coupled with a healthy gross margin of 32.8%, led the produce section to contribute almost 19% of the total profit of the store.

Produce Units

Produce departments 30,440
Percent of all supermarkets 100%

Average Weekly Sales

Mean \$16,932 Median \$16,350

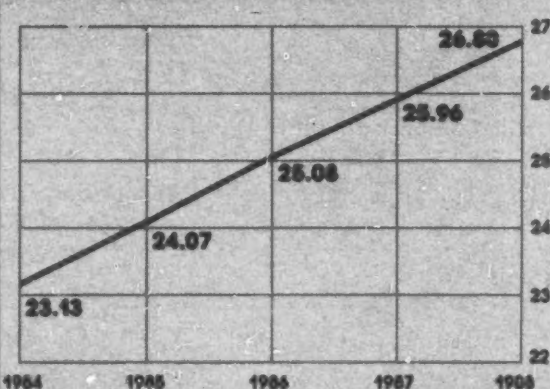
By Store Format

Conventional \$ 6,148
Super Store \$22,916

Change in Dollar Sales (1988 vs. 1987)

Higher	85%
No change	12
Lower	3
Total	100%
Average reported increase	9.3%

Annual Sales (billions)



Sales, Profits & Margins

Share of Total Store Sales	Mean 8.6%	Median 8.9%
Contribution to Store Profits	Mean 18.9%	Median 18.0%
Gross Margin	Mean 32.8%	Median 31.8%

Some 61% of store customers now make a purchase in the produce section. That's up 10% from just one year ago.

If I were a doctoral candidate in cultural anthropology, I think that I'd do my dissertation in the produce department.

If you look closely, you'll see that a lot of interesting behavior goes on in the produce department that you don't find elsewhere in the store. Consumers react differently in this section ... as do retailers.

Think for a moment about what the department tells about the store, and the people who run it. Why do some retailers merchandise the section with abundant produce overflowing the bins, while others create orderly rows of polished looking products? Basic personality differences, or different merchandising philosophies?

Even if the sections are small,

with limited selections, if the store is well-run the produce sections will have high quality, well merchandised products. Operators know that the impression that consumers take away from their stores is only as good as the impression the produce department makes.

Consumers do the strangest things in the produce department. Watch a typical consumer picking apples or peaches. He or she closely inspects every piece of fruit. It takes twice as long to pick an 89 cent pound of apples than a \$6.99 pound of steak, or an \$11 lobster.

When it comes to the actual picking, everybody has a theory as to how to tell what's ripe, or which pineapple will be exactly at the peak of flavor when it's

served next Sunday.

Honest people will feed their kids handfuls of grapes, or string beans, or bulk candy, and then lecture these same children on evils of stealing.

Perhaps the ultimate proof of how the produce affects consumers is that it is the only fresh food section where consumers not only tolerate, but encourage, each another to handle the food.

You need tongs to pick rolls. You certainly can't squeeze the meat, fish or deli. But you can poke and smell the produce!

Produce sales up

At \$26.8 billion last year, produce sales were the second-highest perishable department sales, just shy of the \$27.1 billion

Continued on next page

PRODUCE

in fresh red meat sales.

This represented a 3.3-percent increase in sales of fresh produce.

All supermarkets have a produce department of some kind. Its average sales come to \$16,942 a week.

The average superstore reaches \$23,000 per week in produce. Weekly sales for individual high-traffic stores can be twice as much.

Part of the reason that produce sales are growing is that it draws people in... in ever-growing numbers. Currently, about 61 percent of all store customers make a purchase from the produce department. This is up about 10 percent from the year before.

The increase is due, at least in part, to heightened awareness of nutrition and fresh foods.

If impulse buying has anything to do with increasing the percentage of customers who make a purchase, then the produce department is perfectly situated to take advantage of impulse buying.

Retailers report that they still prefer to place the produce department first in their store's traffic pattern.

Make the customer walk through those abundant bins, with their enticing colors and aromas, and you're bound to get a good deal of impulse purchases... especially with that little voice in the back of their heads telling them that this stuff is good for them.

Produce accounts for an average 8.6 percent of total store sales, which is up slightly in the past year.

What is more significant is that the department can add a great deal of real profit to the store's bottom line. The average gross margin that the section operates on is up to 32.8 percent.

The really good news is that the amount of profit that produce contributes to total store profit is up. The department, on average, now accounts for 18.9 percent of the total profits generated by a store.

Now that more produce is available on a year-round basis, there is a more even balance of profit flow coming through the department. Winter produce, while still somewhat more costly, can now bring nearly the sales volume of the traditional summer peak.

Retailers report that they stock only an average of 66 more

Product Mix

The overall product mix of most produce departments has not changed much in the last few years. Many new items and varieties have been added, but the section is still dominated by only six basic item categories.

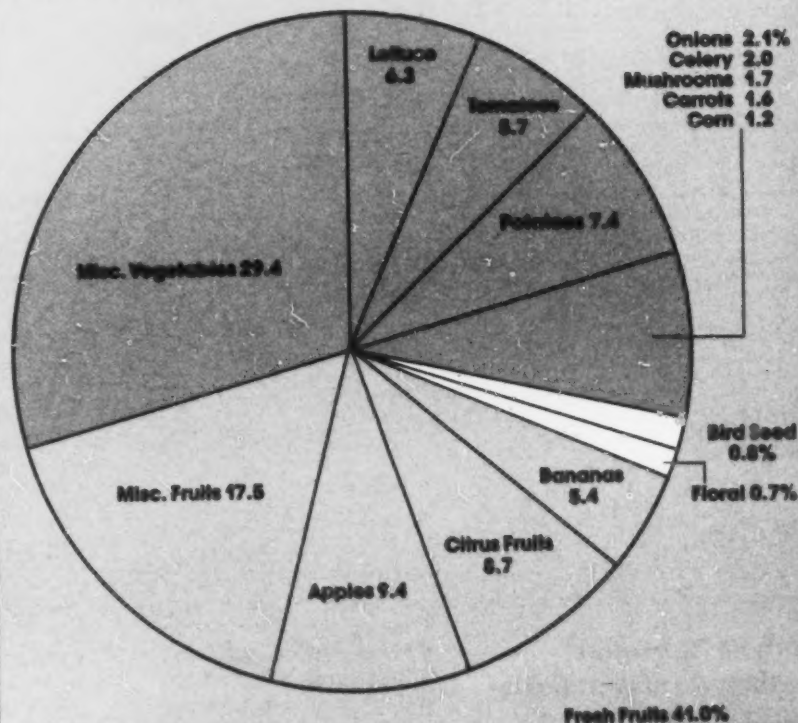
Vegetable sales still outpace those of fruit, while floral and bird seed are only making slight inroads in terms of share of department sales. The department is filled with hundreds of items that garner less than 1% of section sales, but add variety to the department's offerings.

Floral sections are cropping up in more and more stores, as are fresh squeezed juice bars. The majority of both these sections are actually run by the produce department, whereas salad bars and bulk foods sections are not.

Portioning Out the Produce Sales Dollar

Share of Sales

Fresh Vegetables 57.5%



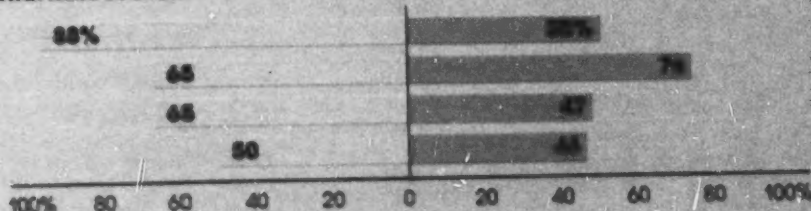
Products

Special Sections

Percent of Companies That Have Sections

Floral	88%
Fresh Squeezed Juice	65
Salad Bars	65
Bulk Foods	50

Percent of Sections Run by Produce Dept.



PRODUCE

Now that more produce is available on a year-round basis, there is a more even balance of profit flow coming through the department.

varieties of produce during the summer than their year-round average... now up to 210 varieties.

More variety, less space

Just as the increasing number of products in other departments are forced to fight for shelf space, the burgeoning variety of produce items must contend for bin space. Produce departments are physically shrinking.

The stores may be getting bigger, but the space allotted to produce has decreased an average of 3.3 percent. Last year, the average department measured just 4,658 square feet, down from 4,817 feet. The section's share of store space has decreased slightly to 12.1 percent.

How do we justify adding more varieties to less space? (In the past year, the year-round average was up 35 varieties over the previous year.) Many of these varieties are not merchandised in the overflowing bins that we have become accustomed to seeing for apples, oranges and other popular varieties.

Stores are making use of smaller spaces when displaying many of the more exotic and specialty produce items. The move is to place such as garlic or star fruit in small baskets, which can be placed in the spaces between the larger bin rows. These can be stacked three or four deep, each filled with a different item.

Cases with multi-tier shelving have also become popular, helping to make merchandising of smaller quantities easier and more aesthetically pleasing.

One point that many produce merchandisers would have to admit is that some of these varieties are there in small quantities in order to be able to say that they are there.

To be sure, variety for variety's sake—which is to say, image—is not a bad idea when you can get away with stocking just a few pounds of the stuff.

One traditional barometer of



Space, Location & Equipment

Size of Department

Square Feet of Space

Mean	4,658 Square Feet
Median	2,720 Square Feet

By Store Format

Conventional	1,940 Sq. Ft.
Super Store	4,850 Sq. Ft.

Share of Total Store Space

Mean	12.1%
Median	10.6%

By Store Format

Conventional	12.2%
Super Store	11.4%

Average Weekly Sales Per Square Foot of Space

Mean	\$3.64
By Store Format	
Conventional	\$3.17
Super Store	\$4.72

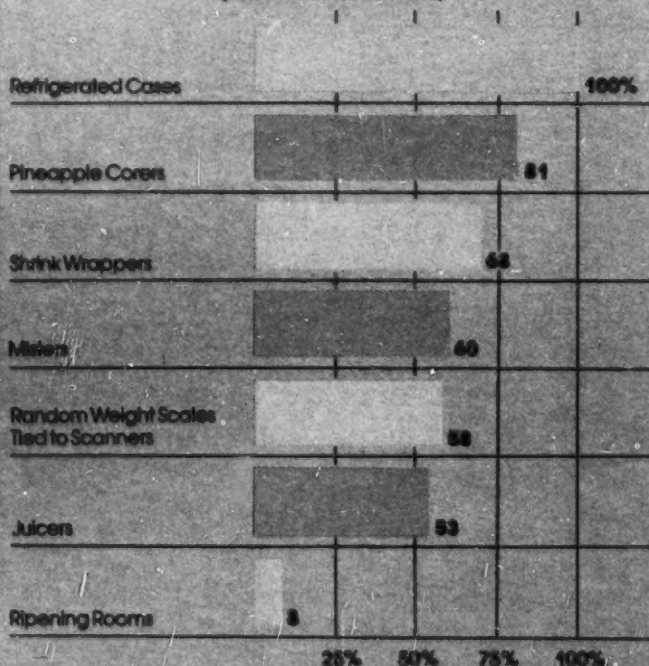
The average produce department is 159 square feet, smaller now than it was a year ago. This has not stopped the departments from increasing the number of varieties of product that they sell. The average year round number of produce items is now 210.

The shifts in sales and footage have caused a gain in the amount of sales per square foot in the produce department. The average sales per square foot is \$3.64.

The well equipped produce department includes refrigerated cases, pineapple corers, shrink wrappers and misters. In fact, most departments seem to have increased their produce equipment to keep pace with the variety of products.

The Well-Equipped Produce Dept.

(Percent of Stores That Have)





FOODSERVICE DEPARTMENT

1989 OPERATIONS REVIEW

There's a strange phenomenon sweeping across suburban communities scattered across the country.

This is the scenario: It's late in the evening, the family at the last minute decides to go out for dinner. Nothing fancy, just a basic meal at a local bistro.

You know the kind of place—eighteen varieties of burgers, Mexican beer on tap, everything ever cooked in the state of Louisiana on the menu, and anything that's old hanging from the ceiling. You're hungry, but there's an hour wait when you get there.

The same goes for the Mexican restaurant across the mall, and the diner out on the highway. The kids can't hold out that

Prepared foods continues to lead the supermarket into waters that some operators find they haven't previously navigated. To many, the ride has been rocky but extremely profitable.

BY: DAVID LITWAK
DIRECTOR OF RESEARCH
WITH JANET TORRES CEPEDA

long, and neither can your nerves. Your stomach can't stand the idea of another fast food burger or pizza, and there's no use going home to scavenge something from the back of the freezer.

In these communities, an alternative to being shut out of the local eateries now lies waiting in the supermarket deli case. Those stores that have developed solid foodservice programs are finding that they are becoming more of a viable alternative for many different family mealtimes.

More than just a quick weekday meal picked up on the way home, instore prepared foods and foodservices are now finding their way into weekend

meals, are being purchased in advance and refrigerated for a meal planned for later on in the week, or are being taken along as catered items to parties and gatherings.

This phenomenon is not occurring in every deli or food-service department in every store. It is, nevertheless, occurring in enough communities to make both grocers and restaurateurs want to take a hard look at what is going on at the local supermarket.

To help chart the course of instore foodservice, **INSTORE BUSINESS** once again took an in-depth look at the operations of the foodservice department. What we found was a steady pat-

tern of growth for those operations in the store associated with foodservice.

There are usually two areas that can be talked about when dealing with supermarket foodservice. The first is the food, and the second is any special services that are associated with selling that food, such as snack bars, restaurants, and catering.

Simply put, prepared food is the heart of any instore foodservice operation. What exactly constitutes prepared foods is open to debate. To some operators it is cold sandwiches and potato salad, to others it is hot entrees, or any combination or variation in between.

What we do know is that

there are now almost 17,000 supermarkets that offer prepared foods of some kind, either hot or cold. This translates into roughly 86 percent of all the stores with deli units now offering prepared foods.

Hot prepared foods are offered by 15,563 stores, while 15,169 report that they have refrigerated prepared foods. Obviously, the predominate merchandising pattern is for a store to have a combination of both hot and cold items.

Over the past 12 months, sales of prepared foods in supermarkets have reached the \$2.4 billion mark. This is an increase of 23.7% over the previous twelve month period. The average

weekly sales of prepared foods per store is up to \$2,724.

Why this large increase in the sales of prepared foods? One reason is the availability of prepared products. There are now 1,150 more stores carrying prepared foods.

Not only are more stores selling prepared foods, but most units are selling more prepared foods now than they ever did before. According to the survey 88% of stores selling prepared foods report higher sales of those products in 1988 than in 1987. The average sales increase was 19.4 percent. The remaining 12 percent report no change in their sales of prepared foods.

With more stores selling pre-

Prepared Foods Census

Prepared foods are a growing part of most retailers' instore effort. Prepared foods both hot and cold are offered by 86% of the supermarkets having deli sections. With weekly sales per unit of \$2,724, there were \$2.4 billion in prepared food sales last year.

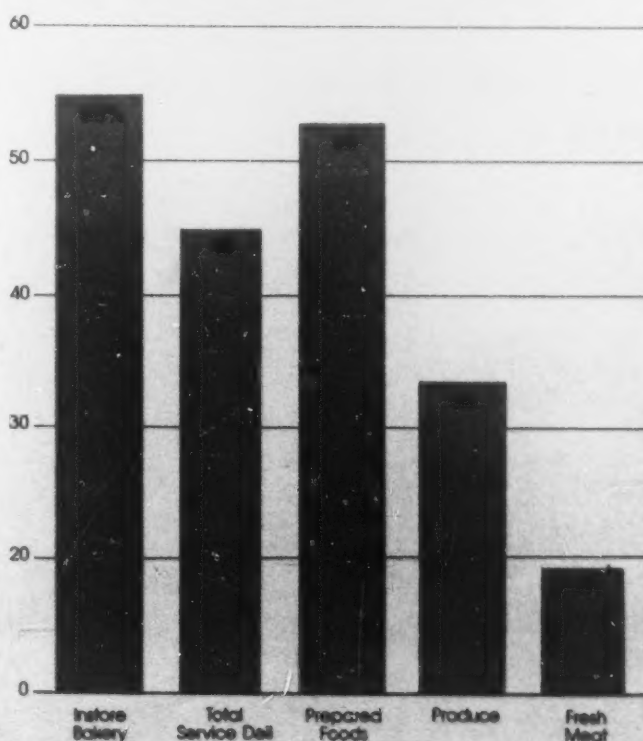
The average gross margin of 53.4% that prepared foods has is one of the highest margins among food products in the store. This high margin helps prepared foods contribute an average of 5.2% of the total profits for the store.

Prepared Foods Sections

	Number of Supermarkets* Selling:	Percent of Total Units With Instore Deli's Selling:
Any Prepared Foods (Hot or Cold)	16,942	86%
Hot Foods	15,563	79
Refrigerated Prepared Foods	15,169	77

*7% of these stores started selling prepared foods in 1987

Gross Margins of Various Store Departments



Sales & Profits

Prepared Foods Share of Total Store Sales

Mean **2.3%** Median **1.8%**

Contribution of prepared foods to store profits

Mean **5.2%** Median **5.3%**

Annual Sales 1987

Prepared foods **\$2.40 Billion**

Average Weekly Sales

Mean **\$2,724** Median **\$2,218**

Weekly Sales

\$1,000 or less	1%
\$1,001-\$2,000	5
\$2,001-\$3,000	59
\$3,001 & Over	35
TOTAL	100%

Average Gross Margin of Prepared Foods

Mean **53.4%** Median **52.0%**

Gross Margin

Less than 40%	1%
40-50%	25
51-5%	8
56-59%	66
60% and over	3
TOTAL	100%

pared foods, and most stores selling more than ever before, there not only must be more people buying prepared foods in supermarkets, but they must also be buying more of it than before.

As the number of two income households increases, we get more sales of prepared foods. As the need for convenient meals increases, so do sales of prepared foods. As the family chef, whether she/he works full-time or not, has to spend more time chauffeuring the kids from activity to activity the sales of prepared foods will go up. In short, as available time goes down, prepared foods go up.

Time, income, and the need for convenience are important to the growth of prepared food sales, but they don't account totally for the growth of sales through supermarkets. These factors would apply to the increase in sales of prepared foods through any type of outlet.

Along with the increase in demand for conveniently prepared foods, supermarkets owe their increased popularity in the foodservice arena to their products. In many cases there has been a tremendous increase in the quality, taste and presentation of supermarket prepared foods. While many stores still have a long way to go in this

area, many have already made great strides in the taste and visual appeal of these foods.

Generally, supermarket prepared foods are highly price-competitive with those offered through more traditional food-service outlets. While higher-priced restaurants and take-outs may have better reputations for prepared foods, many times the supermarket will have a higher image for quality and freshness. While the customers may have more confidence in their products than they do for some of the more price-competitive fast food and take-out shops.

Variety is another important consideration that generally

goes in the supermarket's favor. The number of take-out foods available from a supermarket is usually as large, if not larger, than those available on the take-out menus of most restaurants and take-out shops. And it is certainly larger than those of fast food outlets.

Coupled with the vast number of other food possibilities, whether frozen, refrigerated, partially prepared, cold cuts, salads or raw ingredients, the one stop at the supermarket is more likely to fulfill everybody's appetite in the family. Thus, the convenience factor is satisfied.

The average gross margin for prepared foods in supermarkets

Prepared Foods Sales, Labor Products

Dollars sales climbed an average of 19.4% for prepared foods in 88% of the stores that offer these products. No store reports losing any dollar sales during this period.

Most prepared foods are sold through the service deli counter. Those that aren't go through a separate hot service counter, a self-service area, or a refrigerated case.

Labor is an increasingly significant factor in prepared food sales. The cost of labor as a percentage of sales is up to 17.6%. A major problem is the skill level involved in preparing the products. Retailers report that 15.3% of their instore staffs are now trained cooks. Training both the cooks and counter help is a vital point in the ultimate success of a prepared foods program.

Changes in Dollar Sales of Prepared Foods

(1988 vs. 1987)

Higher	88%
No Change	12
Lower	0
TOTAL	100%
Average Reported Increase	19.4%

How Much for Labor

(As percent of prepared food sales)

Mean 17.6%	Median 22.0%
less than 10%	1%
11-20	78
21-29	9
30 and over	12
TOTAL	100%

Percent of Total Prepared Food Sales Sold Through:

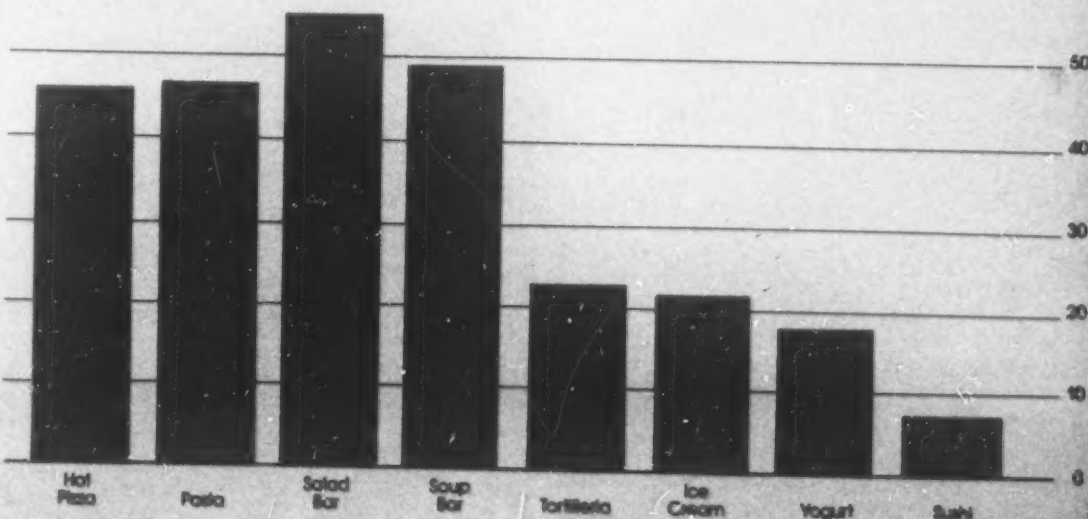
Service Deli	80%
Separate Hot Service Counter	9
Self-service Area	6
Refrigerated Case	5
TOTAL	100%

Trained Chefs

Percent of Instore Staff that are Trained Cooks	15.3%
---	-------

Special Food Service Sections

Percent of Companies



is 53.4 percent. With only a handful of exceptions, this is higher than the gross margins of most other food items sold in supermarkets. As high as this margin seems, and it may be considerably higher on some specific prepared food items, margins received by restaurants and gourmet shops for similar items are frequently even higher.

Margins are an interesting statistic, but how much are the stores actually keeping when they sell prepared foods? As a measure of the real worth of prepared foods, let's look at two specific numbers.

First, prepared foods account for about 2.3 percent of store sales in those stores that actively sell them. This 2.3 percent of sales contributes 5.2 percent to store profits. With a ratio of percent of profits to percent of sales over 2.25 to 1, you can be sure that the operator would love a lot more of his sales dollars to be coming from prepared foods.

A contributing factor to the high profitability of the prepared foods section is its low

labor cost. Retailers report that 17.6 percent of sales dollars that are generated by prepared foods are spent in the labor to prepare, maintain and sell those items. This is not a particularly high labor factor when compared to some of the other service food departments.

The labor factor may be reduced even further as operators continue experimenting with more self-service merchandising for prepared foods. The percentage prepared foods sold through self-service increased to six percent from five last year.

As of now, retailers are split as to whether increased self-service will be the wave of the future for prepared foods. When asked in which direction they expected their prepared food sections to go in the future, 51 percent said towards more service, while 49 percent leaned towards more self-service.

This trend (self-service) should increase further as more foods are sold cold rather than hot. Currently about 5 percent is sold out of refrigerated cases, up from two percent last year. Half

of the retailers told INSTORE BUSINESS that they expected to sell much more refrigerated prepared products in the future. Only 20 percent planned to be offering more hot foods, while the remaining 30 percent saw no real change in their ratio of hot to cold foods.

Where's this food from?

If you're an Escoffier graduate, or a chef trained at Johnson & Wales or the Culinary Institute of America you might want to consider working in your local supermarket!

There was a time not too long ago that the people at those prestigious institutions of higher culinary education would have thought the idea of one of their graduates working in a supermarket was revolting. Times have changed. While the supermarket may not be the highest occupational aspiration of most of the students in these schools, it is becoming more commonplace for trained experienced chefs to run instore foodservice operations.

With the aggressiveness and diversity of some of the instore

foodservice programs in our stores, more and more operators are turning to experienced restaurant or catering chefs to develop and manage the programs that will give them a competitive edge. Since their competition includes restaurants, gourmet take-outs and caterers, they need personnel with adequate training and experience.

Unfortunately, the kinds of foodservice programs that require this degree of talent are still few and far between, although they are on the rise. Not every successful retailer has been hanging around the back door of a restaurant trying to lure away the chef.

About 15 percent of the instore staffs around the country are "trained chefs and cooks," according to retailers. This is up from about 11 percent the year before. The term "trained cooks" is open to differences in definition; most are instore trained, or have minimal outside foodservice experience.

Training, whether it be chefs, cooks, food finishers or counter help, is crucial to a successful

Eating Areas

Instore eating is becoming more evident in the nation's supermarkets. Seventy-one percent of supermarkets with delis have an area where customers can sit to eat the food they've purchased. About 11% of the stores with service deli also have either a full restaurant, cafeteria or a snack bar.

The gross margins of these foodservice areas and off-premise catering programs are all in the 50%-60% range. The potential for high profitability is great, but only if done right. That is why most operators (85%) consider these areas to be profit centers, as well as traffic/image builders.

Stores With Eating Areas

	Number of Supermarkets	Percent of Stores with Delis Having Each Section
Snack Bars	1,773	10%
Sit-Down Restaurants/Cafeterias	240	1.2
Sit-Down Eating Areas	13,987	71
Drive-Thru Areas		<1%

Average Size of Sit-Down Restaurants/Cafeterias

1,385 sq. ft.

Average Gross Margins of Eating Sections

Snack Bars	51.4%
Restaurants/Cafeterias	52.0
Off-Premise Catering	59.6%

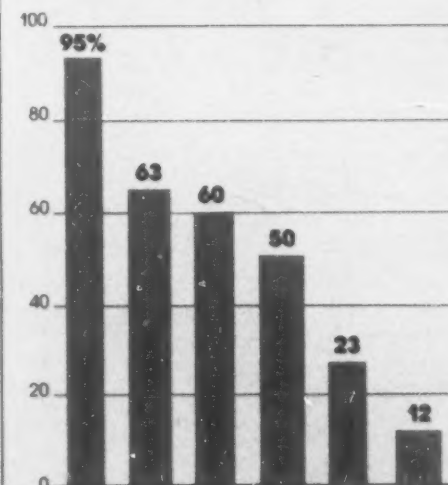
Who Manages the Sections

	By Deli Dept	As Separate Section
Snack Bars	100%	—
Restaurant/Cafeteria	80	20
Off-Premise Catering	100	—

Do You Consider Instore Eating Facilities to be:

Image/Traffic Builders	15%
Profit Centers	0
Both	85
TOTAL	100%

Advertising and Promotion Instore Foodservice



foodservice program. Trained, knowledgeable personnel are really the only thing that stands between a profitable foodservice operation and total disaster. With high turnover, and new procedures that must be followed to produce, maintain and sell the prepared foods safely, training has become a nightmare for many operators.

As a consequence of the problems of training, or hiring already trained personnel, retailers are increasingly looking for foodservice products that have already been prepared, or par prepared. The portion of prepared foods that were bought from a food service supplier or manufacturer rose to 77 percent last year. This was an increase from the 67 percent reported in the previous year. Those portion of products produced instore from scratch fell to 17 percent from 23 percent a year ago, and foods prepared in central company kitchens was down to just six percent.

There are two reasons for this. First many companies do not have the trained personnel or the facilities to produce all these products instore. This is particularly true of those companies that are just starting to get into prepared foods, and there were many stores in this category last year. Retailers have also been expanding the scope and variety of their prepared foods offerings. Many have realized that they can offer the consumer a greater variety by

making some things, and purchasing others.

A second factor is that foodservice companies are finding it easier to reach grocery companies these days. A few years ago the distribution channels between foodservice and grocery were so far apart that it was difficult to cross over from one industry to another. Only those companies that operated in both areas such as Kraft, Stouffers, Campbell, and a few others had managed to compete for the grocery foodservice market.

Today, there is more for the retailer to choose from and the offerings are generally better, although critics would argue that many of the prepared foods from suppliers still leave much to be desired. There is a lot of finishing and doctoring done in the stores, which helps retailers incorporate these purchased products into their programs. This has shifted the training burden from the basic scratch end to the finishing, maintenance and selling end of the process.

The deli/foodservice operation is offering more and more in the way of special sections or types of food. The most popular special section is still the salad bar, which is at least partly the responsibility of the deli department in the majority of stores. Fifty-six percent of all operators offer salad bars to their customers.

Other special products frequently offered include soup

(49%) fresh pasta (47%), and hot pizza (46%). Less frequently offered products include tortillas (23%), ice cream (22%), yogurt (18%) and even sushi (7%).

Other profit opportunities

Not all of those chefs and those prepared foods now found in the supermarkets are there to give consumers a meal at home or lunch at the office. This year, more than any before, supermarkets are offering instore eating as well.

In terms of just a place for patrons to sit, relax and maybe enjoy some of the marvelous food that they just purchased elsewhere in the store, 71 percent of stores have a sit-down eating area. This is about the same percentage as a year ago.

The advantage of these areas is that they may help sell slightly more prepared foods, bakery items and beverages, help create a favorable impression with customers, and help keep people in the store longer. The longer people are in the store, the more they'll buy. Give your customers a place where they can satisfy their kids with a snack, and you'll be able to make their shopping trip longer and more pleasant, not to mention all the shrink you'll probably save in the bulk candy aisle.

When it comes to real foodservice, supermarkets are beginning to get more accustomed to serving people food. In all, almost 2,000 stores now have

some kind of active instore dining program. The bulk of these units have snack bars. There are currently 1,773 snack bars operating in supermarkets. These are all manned by a service employee, have available seating close by, and prepare a limited variety of food items. These run the gamut of simple sandwiches and beverages, to a warmed holding area, to simple grilled foods.

The opportunity in this type of operation is that it lets the store draw on some of the lunch business in the area. This type of set-up works when there is that lunch trade available. Generally it should cater to more than just available store shoppers if it is to be profitable.

It also provides a place for employees to take their meal breaks, giving the retailer more access to the employee at all times, as well as benefitting from the money spent.

For about 270 of the more adventurous operators among us, the next step has been to include either a full-service restaurant or cafeteria in the store. While most of these sections are cafeteria style, about a quarter of these units are service restaurants, complete with table linens and waiters. Expanded menus are often available, as well as expanded hours of operation.

By getting into the restaurant or cafeteria end of foodservice, the operator has really made a

Continued on page 30A

Prepared Foods Merchandising & Production

More and more foodservice products are being bought from foodservice suppliers (77%), while those products made from scratch instore are decreasing (17%). The need for more variety in products, shortages in trained help, and better access to foodservice products have spurred this trend.

Retailers are confident that the trend is to more refrigerated prepared foods in the future. There is no clear consensus as to whether service or self-service is the way to go.

In Which Direction Will Your Prepared Food Sections Go in the Future

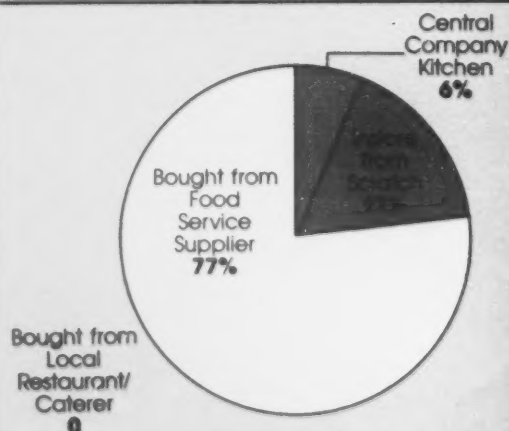
More Service	51%
More Self-Service	49
TOTAL	100%

Types of Prepared Foods Products You Expect in the Future

More Hot Foods	20%*
More Refrigerated Foods	50
No Change	30

*includes multiple responses

How Food Products Are Produced



In a department that has hundreds of products to sell, 43% of all sales come from just six categories of produce products.

a department's success should make operators very happy. Sales per square foot in the produce section are up. This is no great shock when total sales increase and floor space decreases. The department now generates an average weekly sale of \$3.64 for each square foot of space. This is about 22 cents higher than in previous years.

The cost of labor in the department is improving. Now, the average store employs the equivalent of 5.3 full-time produce employees, about the same as last year. The percentage of produce sales that goes to pay for those employees is down to 8.5 percent from last year's level of 9.2 percent.

One reason the labor percentage is down (other than department sales being up) while the number of employees stayed the same is how the products are sold. The trend toward bulk continued last year. Fully three-quarters of produce products are now sold in bulk, up from 70 percent the year before.

The increased emphasis on bulk has allowed produce departments to offer more products, and increase sales without having to add extra employees for time-consuming in-store packaging. Weekly sales per employee are up to \$3,195. This is an average increase of almost \$150 per employee.

What's selling

It's really remarkable that in a department that has hundreds of varieties of products to sell, 43 percent of all sales come from just six categories of produce products.

Call these six categories produce staples if you will, but the American diet is built around them, no matter which new ethnic group comes into the country.

Among the fruits, it's apples, bananas and citrus accounting for 23.5 percent of produce sales.

From the vegetable group, potatoes, tomatoes and lettuce contribute another 19.4 percent.

Vegetables still hold the majority of produce sales with



Labor & Service

The cost of labor as a percent of department sales was down slightly in the produce department last year. At 8.5%, labor is becoming somewhat less of a problem in this section.

There are roughly the same number of employees in the department this year as last, but sales have risen. This, in turn, has let the average weekly sales per employee rise to almost \$3,200.

Number of Employees

Full-time	3.4
Part-time	3.7
Full-time Equivalent*	5.3
Full-Time Equivalent Employees	
Fewer than 3	2%
3-4	20
5-6	29
7-9	49
Total	100%

*Two part-time = one full-time employee

Average Weekly Sales Per Employee*

Mean	\$3,195
\$2,000 or less	9%
\$2,001-\$3,000	25
\$3,001-\$4,000	41
Over \$4,001	25
Total	100%

*Full-time equivalent employees

How Much for Labor

(Labor as a Percent of Produce Sales)

Mean	8.5%
Median	8.1%
8% or less	30%
8%	11
9%	22
10%	37
Total	100%

Items Sold Packaged or Bulk

(percent of products)

	Mean	Median
Packaged	25	30
Bulk	75	70

Supply

To feed consumers' desire for variety, produce departments are stocking their tables with more items on a year round basis. The majority (95%) of these products come through the warehouse. In many areas retailers are incorporating local produce products into their product mixes. Operators report getting about 10.6% of their produce from local sources.

Varieties of Produce Items Sold

Varieties	Year Round Mean 210		Summer Months Mean 276	
100 or less	45%		18%	
101-200	9		7	
201-300	25		30	
300 & Over	20		48	
Total	100%		100%	

Sources of Supply

Delivered Direct to Store	8%
Through Warehouse	98
Total	100%

Use of Locally Grown Products

Mean 10.6%

(Percent of Items)

Less than 5%	15%
5-9%	9
10-14%	82
15% & Over	24
Total	100%

57.7 percent, while fruits account for 41 percent of the department's sales. The remaining 1.3 percent is split between bird seed and floral, where it is included as part of the department.

Floral departments of one kind or another show up in 88 percent of all supermarkets. These, of course, run the gamut from a small section of potting soil and a few plants to full wire-service-affiliated flower shops. About half of these departments are reported to be considered part of the produce section.

There are fresh-squeezed juices and salad bars in 65 percent of our stores. The juice is usually part of the produce section (in 76 percent of the stores), but only 47 percent of the salad bars are the responsibility of produce. The majority of the rest seem to fall under the deli department.

Fresh-squeezed juice bars and melon bars were among the most frequently added produce products last year. Organic products and exotic produce also continued to increase their presence in the stores.

Operators report that they have been selling more branded produce products during the past year. A full 81 percent believe that the trend will be toward selling even more branded products in the future. This is the direction that the department has been going in slowly for the past few years.

While we probably won't see the day when the majority of products are branded, we will continue to increase the number of brands each year. Brands are brought out by both the growers and packing associations, and by national grocery product manufacturers.

Getting the message out

With 61 percent of store shoppers purchasing produce each time they shop, supermarkets are doing a good job promoting the department. The average bill for a customer's produce purchases comes to \$2.46.

Obviously, retailers would love to get the other 39 percent of shoppers to make produce a stop in their shopping trip. They seem to be trying almost every possible method to promote their produce departments.

Newspaper, store circulars and point-of-purchase materials are used by most retailers. An



Merchandising & Customers

The majority (61%) of all store shoppers also shop the produce section. This is perhaps the highest percentage shopped of any specialty area of the store. Their average transaction for produce is \$2.46, which is up considerably from the \$1.71 receipt of last year. No doubt, higher prices caused by the drought in the summer of 1988 and other factors contributed to this increase.

How Customers Spend

Percent Who Shop the Produce Dept.

Mean 61%

Median 57%

How Much They Spend

Mean	\$2.46
Under \$1.00	24%
\$1.01-\$2.00	11
\$2.01-\$3.00	30
\$3.00 or more	35
Total	100%

Use of Signage (To Explain Exotic Varieties)

% Companies

Use signage	19%
Limited use of signage	78
No signage	3
Total	100%

Advertising & Promotion

Retailers are promoting the produce section through almost every means at their disposal. Print ads, sampling and point-of-purchase materials are all frequently used to get the produce message across.

Promoting Produce

% Using

Newspapers	100%
Circulars	89
Sampling	89
Point-of-purchase	88
Radio	64
Television	58

Produce's Share of Ad Space Compared to Share of Sales

Greater	41%
Less	11
Equal	48
Total	100%

The increased emphasis on bulk has allowed produce departments to offer more products and to increase sales without having to add extra employees for time-consuming packaging.

increasing number of operators have also turned to radio and television advertising as a means of promoting produce.

Almost 90 percent of operators claim that their produce sections get a share of advertising space that is at least equal to, if not greater than, the department's share of total store sales.

Helping the consumer understand some of the more exotic products and their possible usage is another way in which retailers are trying to increase sales of various produce items.

Seventy-eight percent report that they use at least some limited amount of signage or other educational materials to help consumers identify and use specialty produce.

In the last year, the produce department has continued the growth that has made it one of the store's most important departments. Whether it's the vibrant colors or aromas, or the feeling of life in the department, consumers react favorably to the section, and this is often reflected in sales. ■

SAMI UPDATE

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 5/19/89	4 WEEKS ENDING 6/16/89	4 WEEKS ENDING 7/14/89
BAIRY NEEDS	- 6.5%	- 4.5%	- 8.0%
Baby Powders	+ 0.9	+ 3.2	- 6.9
Baby Oils, Creams & Lotions	- 14.3	- 10.0	- 5.5
Infant Clothes	- 10.0	- 11.6	- 5.2
Nursing Supplies	+ 1.6	- 0.6	- 5.0
DEODORANTS	+ 1.8%	- 0.7%	- 3.6%
Sprays	+ 5.5	- 0.9	- 0.5
Roll-Ons	- 3.9	- 10.5	- 13.8
Stick Deodorants & Pads	+ 4.0	+ 7.6	+ 1.3
Creams	- 10.3	- 8.7	- 16.0
Deodorants & Talcum Powders	- 0.5	+ 2.3	- 21.2
Feminine Hygiene Deodorants	- 2.5	- 8.3	+ 1.9
Foot Deodorants & Athlete's Foot Remedies	+ 8.8	+ 10.4	- 2.3
Feminine Douches	- 0.1	- 0.4	+ 0.5
FIRST AID	- 0.7%	+ 1.8%	+ 1.7%
Antiseptics	+ 1.2	+ 1.2	+ 8.5
First Aid Products	- 0.5	+ 2.0	- 1.0
HAIR CARE NEEDS	- 0.8%	+ 0.7%	+ 0.4%
Shampoos	+ 1.1	+ 0.4	+ 1.5
Hair Sprays	- 1.7	- 0.2	- 1.1
Hair Conditioning Rinses	+ 2.7	+ 5.1	+ 5.0
Hair Setting Needs	+ 3.0	+ 7.2	+ 4.4
Home Permanent Kits	- 4.8	+ 1.3	- 2.1
Hair Coloring	- 5.8	- 7.4	- 6.3
Hair Dressing Needs	- 8.9	- 13.1	- 19.1
ORAL HYGIENE	- 4.0%	- 8.6%	- 8.4%
Toothpastes & Powders	- 6.1	- 9.4	- 8.4
Mouthwashes	- 1.7	+ 2.2	- 4.8
Breath Fresheners	- 0.8	- 1.3	- 1.7
Denture Cleaners	+ 0.6	- 12.1	- 7.2
Denture Adhesives	+ 2.1	- 1.8	- 3.0
Toothbrushes	- 0.1	- 2.7	+ 4.7
Dental Aids	- 5.2	+ 8.7	+ 4.5
PROPRIETARY REMEDIES	- 8.5%	- 3.4%	- 3.4%
Antacids	- 10.3	- 5.7	- 6.7
Internal Analgesics	- 4.6	- 2.8	- 2.6
External Analgesics	- 4.0	+ 1.8	+ 0.3
Cold Remedies	+ 1.0	- 2.3	- 2.6
Nasal Sprays—Drops— Inhalers	- 10.1	- 11.3	- 13.0
Chest Rubs	- 12.4	- 10.2	- 5.9
Cough Remedies	- 9.5	- 6.7	- 3.9
Laxatives	- 5.1	- 2.5	- 5.4
Sleeping Aids	- 4.6	+ 0.3	- 0.2
Tranquilizers	- 7.4	+ 6.5	+ 0.5
Synthetic Vitamins	- 9.5	- 6.8	- 1.1
Eye Care Products	+ 6.5	+ 5.7	+ 3.3
Appetite Suppressants	- 10.3	- 11.9	- 16.2
SHAVING NEEDS	- 8.8%	+ 1.1%	- 2.4%
Shaving Creams	+ 1.2	- 0.5	+ 0.1
Pre-Shave Lotions	+ 6.0	+ 19.0	+ 6.9
After-Shave Lotions	- 14.5	+ 1.3	- 1.5
Razor Blades	- 8.0	+ 2.7	- 3.6
Razors & Blades	- 11.1	- 2.1	- 7.2
SKIN CARE AIDS	- 1.1%	- 1.5%	- 1.1%
Hand & Body Creams & Lotions	- 1.1	- 5.4	- 7.3
Facial Preparations	+ 4.2	+ 6.7	- 6.0
Lip Care Products	- 14.7	- 12.8	- 16.2
Suntan Lotions & Oils	- 2.9	- 11.3	+ 2.4
Cosmetic & Medicated Skin Aids	- 6.7	- 3.9	- 3.9
TOTAL ALL CATEGORIES	- 1.2%	- 1.1%	- 1.1%

No Upturn in Overall HBA Food Store Trend Seen During Period Ending in Mid-July

However, Other Departments Share Weak
Tonnage Trend

BY ALAN MILLER, JR.

It is always more pleasant to report on favorable upbeat performance trading of health and beauty aids than to be the messenger delivering bad news.

In reporting on sales movement during the four weeks ending July 14, 1989 in comparison with the year-ago period, we shall strive to place emphasis on the bright spots and will try to highlight new brands that are performing well and established HBA brands that are exhibiting strength.

In all of the 51 HBA categories combined, four-week unit volume fell 2.9% behind last year's pace, which translates to 7.7 million fewer packages this year than last. As a result of price increases or a change in the product mix, four-week dollar volume rose 1.1% or \$7.3 million.

(There was also food store sales weakness in the dry grocery department with a tonnage decline of 1.3% for shelf-stable foods and a loss of half a percent for nonfoods.) The HBA weakness was not limited to food stores. Dollar sales in drug stores in all categories combined advanced less than 1%.

Among the eight product groups broken out by Arbitron/SAMI, there were 28-day increases in only two: an increase of 1.7% for first aid and a gain of 0.4% for hair care needs. Of the 51 product categories, only 15 had a plus volume over a similar span in 1988, while declines were recorded in 36.

New categories show strength

There are three newer categories, not shown in the chart, with four-week comparisons but less than two full years of data. In each of these, four-week sales were higher than those achieved last year: home testing kits (+43.1%), contraceptives (+13.7%) and personal lubricants (+10.5%).

The highest rate of gain for a product category was an 8.5% advance for first aid antiseptics, while the most severe loss was 21.2% for deodorant and talcum powder. Hair dressing needs suffered a decline of 19.1%.

Unit sales of baby needs fell 5.0% for the four-week period, a slight improvement over the 5.3% decline for these four categories during the most recent 12-week period.

Two brands of baby needs that are showing positive trends are Caldesene baby powder and Baby Magic baby lotion.

There were three personal deodorant categories with plus volume for the mid-July reporting period: feminine hygiene deodorants (+1.9%), stick deodorants and pads (+1.3%), and feminine douches/washes (+0.5%).

There were three new brands of spray deodorants during the year—Speed Spray and Lady Speed Spray from Mennen and Ban From Bristol-Myers—but their volume was not sufficient to erase losses from other brands.

Gillette's Soft & Dri increased its share in this category, and did even better in the roll-on and stick deodorant categories. Old Spice roll-on completed national distribution and Arrid Extra Dry Glide-On enjoyed a strong sales quarter.

Other strong performers in the stick deodorants category were Ban and Right Guard. In the food deodorant and Athlete's food remedies category, the highlight brands were Micatin and Block Drug's Gold Bond, which is in limited distribution.

In the first aid sector, antiseptics enjoyed a strong four-week upsurge (+8.5%). Brands with strong recent trends include Neosporin, Cortizone 5, Benadryl and Caldecort. There were three brands of first aid products with higher shares: Non-Stick Pads, Sentinel, and

SAMI UPDATE

Mickey & Pals, which rolled out to near national status.

Small gain for hair care needs

Among hair care needs, unit volume gains among shampoos (+1.5%), hair conditioning rinses (+5.0%) and hair setting needs (+4.4%) wiped out losses for hair dressing needs (-19.1%), hair coloring (-6.3%), home permanent kits (-2.1%) and hair spray (-1.1%).

Pert Plus shampoo enjoyed an outstanding rate of gain as did regular Pert and Silkience shampoo. Hair conditioner also moved sharply upward.

Another brand with strong trends in each of the hair care needs categories in which it appears is Helene Curtis' Salon Selectives.

The only major new product in this product group was Revlon's Clean & Clear hair spray. In the hair setting needs category, brands with share increases included Clairol, L'Oreal Studio, Sauve, Salon Selectives, Style, Bold Hold, Pantene and Vital Care (via new markets).

Five of the seven Oral hygiene categories tracked by

Arbitron/Sami incurred losses.

The highest loss rate was 8.4% for toothpaste, where pumps are not currently as popular as they had been. The gains in the oral hygiene product group were recorded by toothbrushes and dental aids.

The only major new product introduction was Colgate Jr. toothpaste. Arm & Hammer Dental Care completed national distribution. Other oral hygiene brands with impressive sales increases were Close-up and Viadent dentifrice. Tom's of Maine natural toothpaste is continuing to add new markets of availability. The toothbrush with the best trend is Colgate Plus.

Three of the categories of proprietary remedies showed modest gains. There were double-digit loss rates for appetite suppressants (-16.2%) and nasal sprays-drops-inhalers (-13.0%).

The four-week unit loss in the antacid category was more than one million out of the nearly two and a half million decline for the whole proprietary remedies product group.

The strongest trends among top 10 internal analgesics were

provided by Advil and Ecotrin. A new national brand in the category was Motrin ibuprofen, and Medic has expanded distribution.

The best performing major brand of antacid was McNeil Labs' Imodium. Mineral Ice is a growth brand of external analgesics. Only three of the top 10 cold remedies brands advanced over last year's four-week pace: Nyquil, Sudafed and Benadryl. Night Lite and Theraflu were new cold remedies brands.

None of the million-dollar cough remedies had a second quarter gain, but private labels enjoyed a tonnage gain which improved their share. The gainers among laxatives and stool softeners included Fiber-All and Perdiem. The growth brands of sleeping aids were Nytol and Sleepinal.

The major action in the eye care needs category was provided by Ciba Vision, Aosept, The Boston, and Aodisc. Centrum strengthened its hold on first place among synthetic vitamins.

There was a tiny gain for shaving creams as a result of the volume furnished by the com-

pletion of national distribution of Faberge's Cut Guard and the national rollout of S.C. Johnson's Soft Sense. A new product, Afta from Mennen, was also responsible for a 6.9% increase in units of pre-shave lotions.

Skin care aids decline

The only category of skin care aids with a gain for the four weeks was suntan lotion and oil, for which a gain during this season of the year is important.

The category with the most negative trend is lip care products (-16.2%), but loss rates of 7.3% for hand and body cream lotions, 6.0% for facial preparations, and 3.9% for cosmetic and medicated skin aids were recorded in three categories with high volume levels.

There were two major new national brands of hand and body creams and lotions during the year: Jergens' Eversoft and Beecham's Calgon. In addition, Vaseline Intensive Care Hand-Nail lotion became the number three brand in this category. The strong performers among facial preparations included Oil of Olay Lotion, Ponds, Sea Breeze, Night of Olay and Neutrogena. ■

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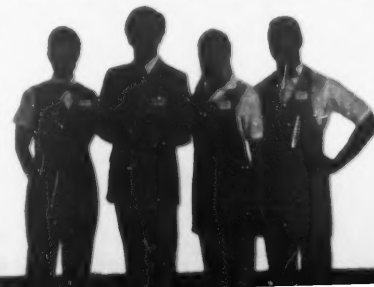
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NOVEMBER 1989

**1989 SEAFOOD
DEPARTMENT REVIEW**

**Are
safety concerns
scaring off
former
customers?**

SUPERMARKET BUSINESS

NOVEMBER 1989

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Gristede's: J. Bruce Haag
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FOR TOURISTS TIRED OF MICKEY MOUSE MEALS—THERE'S GOODING'S 1A

DAVID LITWAK

For Disney World visitors who wish to avoid crowded restaurants and amusement park fast food, this Gooding's store provides an alternative.

PREPARING FOOD ELAINE READER 9A

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By Ken Partch,
Editor-in-Chief

It is amazing what irrefutable and incontrovertible logic can do in analyzing a situation and coming up with the wrong conclusion. It's usually caused by looking at wrong data or not enough right data. There's nothing wrong with the logic, just the premise—the big IF. Here's what I mean.

Through most of the Sixties and good part of the Seventies we heard almost nothing but how the foodservice industry was growing at a fantastic rate and would soon outdistance the grocery industry. In the late Sixties we were told that one-third of all the dollars spent for food was spent on food eaten away from home. That number was never really very accurate, but it soon became gospel and sooner became wonderfully distorted.

The number was flawed from the beginning because nobody (or almost nobody) bothered to ask what was in that number and where it had come from. The number, as I recall, came from the Bureau of Census at the Department of Commerce—where else? The foodservice industry went bonkers with that number and didn't stop to explain that the total included everything spent in foodservice, including liquor (which can make or break many a restaurant, but which has nothing to do with competition for food dollars). It included the cost of tables, chairs, silverware, plates and cups, and all the other physical equipment used in foodservice.

Moreover, the growth rate of these dollars was such that in a few short years, foodservice would account for 50 percent of all food sales. Now, the problem with that kind of prediction is that it is assumed that the performance of the past is a straight line that can be drawn into the future.

Putting that famous research fallacy aside for a moment, there was still another distortion operating in the Great Food-

Incontrovertible Logic

service Growth Story that would make a lot of people less than happy who found themselves investing in the ongoing growth of food-away-from-home. If you threw in the kitchen sink, literally, with all the other things being spent on foodservice, you did come up

Once a galloping trend is launched in enough right places, it becomes very difficult to stop.

with something like one-third of the amount spent for food totally. But then, I can't say that it was deliberate, these dollars often began appearing in a quoted statement as not merely "one dollar in three," which was bad enough, but as "one meal in three."

From here on, we were off to the glowing future in foodservice, which quite naturally would soon replace food eaten at home. Many people in the grocery industry were almost convinced. Only one other person I have ever heard of contested the original numbers and the incontrovertibly logical conclusion (although there must have been others) and that was Jack Cohen, a current contributor to this publication.

Why is that? Some of the reasons much be that once a galloping trend is launched in enough right places, it becomes very difficult to stop. It is like a brush-fire. There is so much "evidence" that makes the argument sound right, and so much evidence that it should be right, such as all the wonderful demographics and psychographics, and so many fast food joints being built—that it must be right.

Nobody wants to rain on such a nice big parade. Probably everybody (or enough) thought that by the time the baby boom ended, and teenagers were no longer a huge bulge in the population, that something else

would come along to take its place. And besides, that would be somebody else's problem in the long-term scheme of things of five or 10 years.

So what, you say? Why not take advantage of a trend while it lasts? Right you are. But there is something like the same kind of thinking going on in the grocery business right now, and if we aren't careful, a lot of people could be left with just as much mayo and ketchup on their faces as there are in the foodservice business.

Now, we are all being hypnotized by the take-out food business. It's real, it's there, and you can hardly pick up a newspaper or a business magazine and not see an article or two about how it is growing by leaps and bounds. Even the logic is all there about why it is growing by leaps and bounds—singles, working couples, nobody has time to either go out or cook at home. Send me a pizza!

Supermarkets, of course, are moving into this segment of the food business with a vengeance. They don't mean to be left out in the cold, as they were with the convenience store and the foodservice growth. That's good, but they should go carefully. *Learn*, while you go, should be the motto.

For there is another irrefutable and incontrovertible piece of logic that it should be good and sobering to keep in mind. It is this: By and large, give or take a few pounds, the intake of the adult population (I can't speak for teenagers any longer) is largely static when it comes to the annual consumption of food. They can easily eat less (especially with all this pressure for dieting), but there is very little logic to the idea that they can eat appreciably more, on average, for any given year.

That being the case, I don't care if McDonald's is able to convince the American public that it should eat a hearty break-

Continued on page 9

SEAFOOD SALES A GROWING QUESTION OF CONSUMER CONFIDENCE

BY DAVID LITWAK, DIRECTOR OF RESEARCH, WITH JANET TORRES CEPEDA

Despite today's beautiful new departments and best merchandising efforts, just one shopper in 20 makes a fresh fish purchase.

Still, this figure represents quite an accomplishment in terms of persuading mainstream Americans to modify their eating habits and give seafood a try. But further traffic increases may require a shift in strategy. Not long ago, if a new adventure in taste didn't work, you could appeal to consumers' nutrition and health concerns, as more shoppers seemed to seek the calorie/cholesterol benefits of fish and fish oil.

Now, ironically, these same interests may be working against the category. Reportedly, up to 45 percent of your hard-won seafood customers have stopped buying it due to health concerns. And a movement is afoot on Capitol Hill to authorize the Department of Agriculture to put seafood to the same inspection tests that meat and poultry must now pass.

In future issues, we'll look more closely at evolving consumer attitudes and government response. Meanwhile, here are some early indicators as reflected in the latest figures on supermarket seafood department performance ... Continued

1988 was a year of mixed results in the fresh fish/seafood section. Total sales were up by 9 percent, and the number of departments was also up. But concerns about safety drove average weekly sales down.



■ At the end of 1987, everyone was gearing up for a banner 1988 in fresh fish sales. Sales had reached a high of \$3.65 billion. Stores were expanding or putting in new departments. Cholesterol-conscious consumers were ready to make seafood a staple in their diets. It seemed like a great time to be alive, and in fish sales.

Unfortunately, the expected sales boom failed to materialize. It wasn't that the bottom dropped out of seafood sales. It just slid a little, as did the expectations of fantastic future growth. In the midst of all the euphoria and hoopla over potential fish sales, some hard facts about the American consumer became apparent.

Fish is something of a mystery to most consumers, who

FRESH FISH AND SEAFOOD

1989 DEPARTMENT OPERATIONS REVIEW

don't know most of the species and have no idea how to prepare them. When this basic mysteriousness is coupled with the slightest hint of safety problems, the results can be that many consumers will shy away from seafood products.

That's what happened last year. Per capita consumption of fresh fish/seafood was down

slightly (0.2 percent) from the record high of 15.4 pounds in 1987. Some of this decline can be attributed to consumer uncertainty about the safety of fresh fish and seafood, media reports on contaminated fish in New York and other places, and calls for more inspection of fresh products by the government.

These concerns, on top of a basic reluctance to eat more seafood that some people harbor from childhood, have slowed the growth of these products, despite the claimed health benefits of eating a diet that includes more fish.

Sales both up and down

There was a 9 percent increase in the total sales of fresh fish/seafood last year, raising sales to the \$3.98 billion mark. This is certainly a healthy increase. The problem, from an individual store owner's point of view, comes from looking at the sales data from a different perspective.

Despite total fish/seafood sales going up, weekly sales per store actually went down slightly last year. The average

Census, Sales & Margins

Sales of fresh fish/seafood grew 9 percent last year. Much of this gain appears to have been due to the addition of almost 1,300 new seafood departments. There are currently fresh fish departments in 45 percent of the nation's supermarkets.

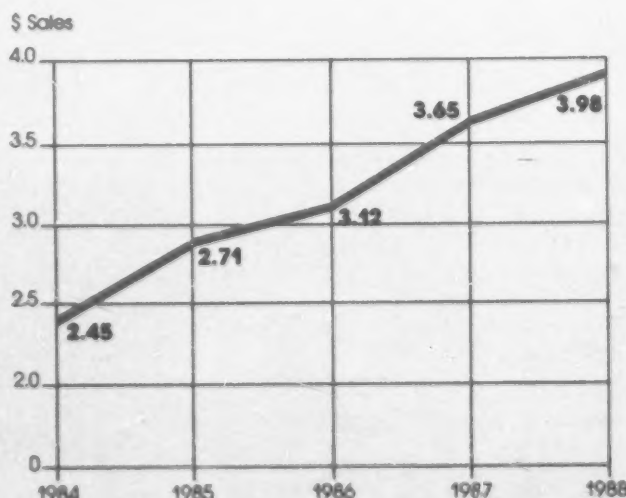
Despite the gain in total sales and outlets, the weekly sales per department dropped a little last year. Each department rang up an average of \$5,611 a week, down from \$5,685 in 1987. These sales were enough to generate an average of 3.33 percent of the total store profits, based on a gross margin of 30 percent, and the fact that the average fish section accounts for less than 2 percent of the total sales of those stores.

It is no wonder that the vast majority of operators (74 percent) consider their fresh fish sections to be real profit centers, as well as image builders for the store.

Fish/Seafood Units

Number of supermarkets selling fresh fish/seafood	13,640
Percent of all supermarkets	45%
Number of fresh fish/seafood departments opened during last 12 months	1,296

Annual Sales (billions)



Average Weekly Sales

Mean \$5,611 Median \$4,383

Changes in Dollar Sales

(1987 vs. 1986)	
Higher	25%
No change	60
Lower	15
Total	100%
Average reported increase	6.5%

Sales and Margins

Share of Total Store Sales
Mean 1.97% Median 2.1%

Gross Margin
Mean 30.0% Median 28.3%

Contribution to Store Profit
Mean 3.33% Median 2.84%

Do You Consider Your Fish/Seafood Departments:

Traffic & Image builders	26%
Both image builders & profit centers	74
TOTAL	100%

department had weekly sales of \$5,611 in 1988, down about 2 percent from the 1987 mark of \$5,685 per week per unit. Two percent is not a serious loss in sales. But it is disheartening to those operators who were expecting a weekly sales gain in 1988, and who may have expanded their operations accordingly.

Reconciling an increase in the total sales of fresh fish/seafood with a drop in weekly sales per store is fairly easy. Total sales may have gone up simply because there were many more fish/seafood departments in operation last year than in previous years.

During the past year 1,296 new fresh fish/seafood departments opened in our nation's supermarkets. There are now approximately 13,640 fish/seafood sections, up from 12,344 the previous year. This means that there are fresh fish/seafood sections in 45 percent of all supermarkets, although many of these are not service fish departments.

The greater number of supermarkets with fish/seafood departments present more consumers with an opportunity to buy fresh products, which generally help to increase sales. But sales did not increase enough across the board to keep the per store figures from going down, when the nearly 1,300 new fish/seafood units were averaged in.

The discrepancy between higher total sales and lower per unit sales also points to a disturbing conclusion. In all too real a sense, fish/seafood departments are moving less merchandise than a year ago.

We have already seen that per capita fish consumption has



With more units now selling fresh fish, new units may have greater competition ... reducing the per-unit return.

started to decline during the past year. This is reflected in the per store sales. One important factor is the price of the product. According to the U.S. Department of Labor, the Consumer Price Index for fresh and frozen fish/seafood rose 4.1 percent in 1988. We're selling less fish at a higher price, which is helping to keep sales dollars up.

An increase in price of 4.1 percent, coupled with a decrease in per store sales of almost 2 percent, means that the volume of product moving through our individual fish/seafood departments is down about 6 percent.

Why is the volume down? A combination of factors may be responsible. First, there were the widely reported safety issues concerning certain fish and shellfish varieties. Second, with the addition of more units, fish/seafood departments may have reached their saturation point.

There may just be enough units selling these products that putting in a new unit has diminishing returns in terms of increasing sales for these products throughout the industry. The new unit may do well, but perhaps only at the expense of other fish/seafood departments.

So far, such market saturation has not occurred in other perishable departments, such as produce, deli and instore bakery. Those departments still seem to be able to increase their customer base each year.

Fish as profit bait

For all the ups and downs in fish/seafood sales, the departments seem to be making a nice profit. Last year, margins of fish/seafood sections rose to 30 per-

Space & Location

There was a slight physical growth in the fish departments last year. The average section grew by 21 square feet, to a total of 586 sq. ft. With slightly lowered weekly department sales volumes, the average weekly sales per square foot declined to \$9.58, compared with \$10.06 the year before.

Size of Department

Full service fish/seafood department

Mean 586 sq. ft. Median 528 sq. ft.

By Store Format

Conventional	186 sq. ft.*
Super store	678 sq. ft.

*Includes self-service fish/seafood departments

Sales Per Square Foot

Mean weekly sales per sq. ft. \$9.58

Cost Allocations

Are department costs allocated back to department?

Yes	61%
No	39
Total	100%

Location of Department

Adjacent to meat department	63%
Separate from meat department	37
TOTAL	100%

cent, compared with 26.8 percent the previous year.

The percentage of total store sales coming from the department remained stable over the last year, averaging just under 2 percent of total store sales. But on average, 3.3 percent of the total profits of a store with a fish/seafood department came from that department. With this very positive profit indicator, it is no wonder that 74 percent of the retailers questioned felt that their departments were successful both as profit centers and traffic image builders.

The profits generated by fish/seafood departments would obviously be higher if more customers shopped there. Unfortunately, the section did not succeed in attracting many more customers last year than in previous years. The average percentage of store customers shopping the section did increase from 4.4 percent to 4.9 percent, but this still leaves over 95 percent of customers who did not shop there.

This would tend to support the contention that, for the most part, fish/seafood departments are fighting for the same old customers instead of bringing in new ones. What makes matters worse is that the departments are not getting any more money from their faithful customers.

The average transaction amount increased from \$4.82 to



Prepared entrees of fish/seafood are expected to lead department growth.

\$5.08 in 1988. This is an increase of about 4 percent, which by no small coincidence is the level at which prices on these products rose during this period.

Lower labor costs

There is good news on the labor front. From a personnel standpoint, the average fish/seafood department got cheaper to

run last year. The average section was manned by the equivalent of three full-time employees, which was down from 3.7 full-time equivalent workers the previous year.

This allowed the percentage of fresh fish/seafood sales that go to paying labor costs to drop to 16.1 percent from the high of 18.4 percent in 1987. Labor cost declines have helped the prof-

Labor & Service

Labor costs have gone down in the seafood section. It costs the department only about 16.1 percent of sales to pay for labor, as compared with 18.4 percent in 1987. This is due to the ability of most seafood sections to operate with fewer employees. The average department runs with the equivalent of 3.0 employees, instead of the 3.7 needed a year ago.

Training is still a major emphasis of the department. New varieties of fish are now available, and high turn-over rates have made the need for formal fish/seafood training programs a reality for 89 percent of the supermarket companies. Even with the formalization of training, it is still basically up to the department manager to provide most of the training.

Number of Employees

Full-time	1.7
Part-time	2.6
Full-time Equivalent*	3.0

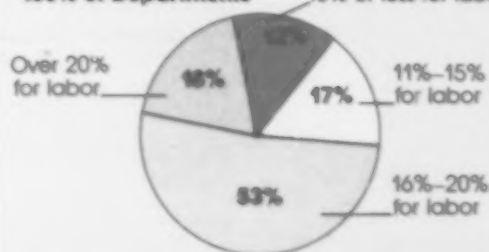
*Two part-time = one full-time employee

How Much for Labor

(labor as a percent of fish/seafood sales)

Mean 16.1% Median 15.3%

100% of Departments 10% or less for labor



*Includes both service & self-service departments

Employee Training

Have formal fish/seafood training program	89%
No formal fish/seafood training program	11%
TOTAL	100%

Who Is Responsible for Training?

(includes multiple answers)

Department manager	89%
Corporate trainer	55%
Seafood supplier	18%

82% of companies want more help in training employees from seafood suppliers

How Is Your Fish/Seafood Dept. Managed?

Management	
As separate department	76%
As part of meat department	22%
As part of deli department	2%
TOTAL	100%

itability picture of the seafood department.

These percentages are based on data from both service and self-service departments. Operators report even in those stores that have a service fish/seafood department, about 16 percent of the sales comes from self-service items, an increase of 6 percent.

One area in which labor is saved is in the preparation of the fish. Currently, about 85 percent of the products sold come into the store pre-cut and portioned, while only 15 percent comes in whole. Pre-cut product is up slightly in the last year. The bulk of the labor is spent in maintaining the product and cases, and in customer service. With these "case-ready" fish products, the more highly skilled labor is not needed to clean, cut and fillet the fish.

Despite the lessened need for skilled fish butchers, training continues to be a strong priority in most operations. Eighty-nine percent of the companies with fresh fish/seafood departments have a formal training program for the department. In the vast majority of organizations, it is up to the department manager to administer the training program to new employees.

The training emphasizes product knowledge, food han-



In the wake of adverse publicity, safety and product appearance have become particularly important.

dling and product-specific safety practices, of which there are many. Safety and product appearance have become particularly important, due to the adverse publicity that fresh seafood has sometimes had during the past year.

There has also been emphasis

placed on giving employees the kind of information that will help them explain the product and its uses to customers. This is the area in which many operators would like to see more aid from suppliers.

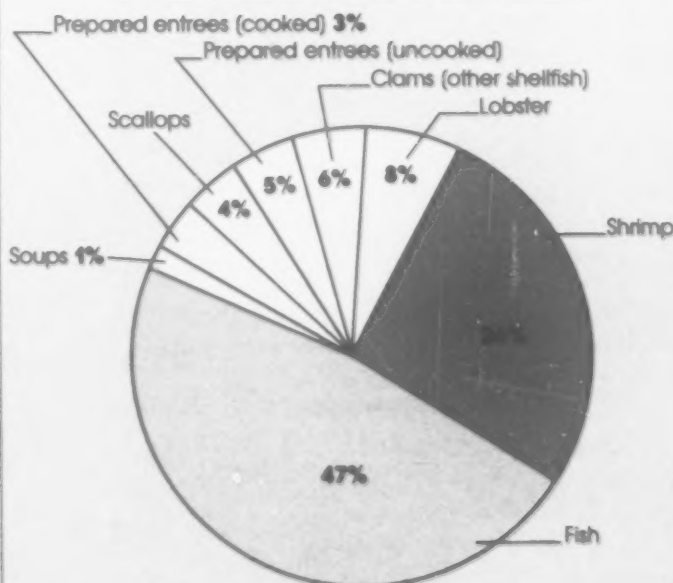
By far, fresh fish varieties continue to dominate the fish/

Product Mix

Fresh fish's dominance of the department's product mix has slipped a little in the past year. Fresh fish varieties now account for 47 percent of sales, down from 49 percent. Prepared entrees, both cooked and oven-ready, have grown in popularity, accounting for 8 percent of sales.

Lobsters account for 8 percent of sales, up 1 percent from last year. Virtually all stores (95 percent) selling fresh lobsters, sell them live. With the growing demand for prepared foods, many of the stores selling live lobsters (26 percent) will now prepare those lobsters after they are purchased. This may be the ultimate marriage of prepared foods and customer service.

Portioning Out the Fish/Seafood Sales Dollar



How Do You Sell Lobsters?

(Includes multiple answers)

Live	95%
Sell live & then cook in store	53%
Frozen	29%
Prepared before purchase	26%
Refrigerated	11%

Fresh vs. Frozen

Percent of fish/seafood sold

Fresh	88%
Frozen	12%
TOTAL	100%

Fish/Seafood Items Most Often Added Last Year

Prepared Fish Entrees
Seafood Salads

seafood department sales. Just under half of all sales dollars (47 percent) come from fish sales. This is down just slightly (2 percent) from a year ago.

Shrimp, the second-largest department seller, is also down slightly (1 percent), and now accounts for 26 percent of sales.

Prepared entrees were the biggest sales gainers last year. Both cooked and uncooked fish/seafood entrees now account for 8 percent of all sales in the section. Uncooked prepared entrees do better (5 percent vs. 3 percent) than cooked entrees.

All indications point to prepared entrees as being the place where the department will grow the fastest. Aside from convenience, prepared entrees help to alleviate some of the major hurdles that have stymied fish/seafood sales.

Buying prepared entrees lets consumers overcome their worries about their inexperience in preparing fish, and having the entrees pre-cooked helps to calm some of their safety concerns. It is no wonder that retailers listed prepared fish entrees as the item most added to their departments last year. Seafood salads were also added to many departments.

Departments grew slightly last year. The average full-service fish/seafood department increased to 586 sq. ft., from 565 sq. ft. in 1987. Super stores have an average of 678 sq. ft. for fish sales. Since area is up, and sales per department were down last year, it is no surprise that aver-



Lower labor costs have helped the profitability picture of fish/seafood departments.

age sales per square foot decreased by \$.48 to \$9.58 per week.

In most floor plans that are being developed, the fish/seafood section is adjacent to the meat department. Generally, this is not due to dual management of the departments. (Seventy-seven percent of fish/seafood departments report that they are managed separately from the meat department, regardless of where they are located in the store.) It simply reflects the fact that shoppers

associate fish with meat and expect to find it there.

There appears to be little doubt that the fish/seafood department can be a profitable section in most supermarkets, if handled correctly. What remains to be seen is whether the section will continue to grow in sales, or begin to decline. Consumer acceptance of the products will have a great deal to do with whether the departments progress any further than their current sales levels. ■

Merchandising, Customers & Supply

Self-service fish has grown over the last year, from 10 percent of all department sales in 1987 to 16 percent in 1988. This has helped keep labor costs down.

Still, less than 5 percent of all store customers patronize the fresh fish section. Despite the cholesterol-lowering benefits of these products, many customers have either not yet accepted fish into their diets, or may have been put off by safety concerns. The size of the average department transaction rose last year to \$5.08. This was an increase of 4 percent, which kept pace with price increases.

How Customers Spend

Percent who shop fish/seafood department
Mean 4.9% Median 6.2%

How Much They Spend

(per transaction)	
Mean \$5.08	
Under \$3.00	4%
\$3.01-\$4.00	28
\$4.01-\$5.00	25
\$5.01-\$6.00	28
Over \$6.00	15
TOTAL	100%

Service vs Self-Service

(in service fish/seafood depts)
Percent of sales through

Service	84%
Self-service	16
TOTAL	100%

Supply

Percent of fresh fish/seafood bought from:

Specialty fish/seafood wholesaler	98%
Other (including grocery wholesaler)	2
TOTAL	100%

How fish/seafood comes into the store:

Precut & portioned	85%
Whole	15
TOTAL	100%

SAMI UPDATE

HEALTH & BEAUTY AIDS SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 7/14/89	4 WEEKS ENDING 8/11/89	4 WEEKS ENDING 9/8/89
BABY NEEDS	- 8.0%	- 6.0%	- 3.4%
Baby Powders	- 6.9	- 5.8	- 6.4
Baby Oils, Creams & Lotions	- 5.5	- 12.6	- 5.6
Infant Clothes	- 5.2	+ 0.2	+ 0.6
Nursing Supplies	- 5.0	- 0.0	- 0.6
DEODORANTS	- 3.4%	- 3.2%	- 4.4%
Sprays	- 0.5	- 2.2	- 12.0
Roll-Ons	- 13.8	- 13.4	- 10.3
Stick Deodorants & Pads	+ 1.3	- 1.3	+ 0.4
Creams	- 16.0	- 14.9	- 10.1
Deodorants & Talcum Powders	- 21.2	- 16.7	- 3.6
Feminine Hygiene Deodorants	+ 1.9	+ 8.8	- 1.8
Foot Deodorants & Athlete's Foot Remedies	- 2.3	+ 1.2	+ 3.8
Feminine Douches	+ 0.5	- 6.7	+ 0.4
FIRST AID	+ 1.7%	+ 4.4%	+ 8.9%
Antiseptics	+ 8.5	+ 2.7	+ 1.7
First Aid Products	- 1.0	+ 5.1	+ 11.6
HAIR CARE NEEDS	+ 0.4%	+ 2.7%	+ 1.4%
Shampoos	+ 1.5	+ 0.6	- 0.5
Hair Sprays	- 1.1	+ 6.3	+ 5.5
Hair Conditioning Rinses	+ 5.0	+ 5.3	+ 2.2
Hair Setting Needs	+ 4.4	+ 8.8	+ 6.2
Home Permanent Kits	- 2.1	- 15.3	- 3.2
Hair Coloring	- 6.3	- 0.4	- 2.2
Hair Dressing Needs	- 19.1	- 10.9	- 9.4
ORAL HYGIENE	- 3.4%	- 2.8%	+ 0.7%
Toothpastes & Powders	- 8.4	- 4.3	- 2.3
Mouthwashes	- 4.8	0.0	+ 3.2
Breath Fresheners	- 1.7	+ 0.4	- 0.3
Denture Cleaners	- 7.2	- 6.3	- 4.2
Denture Adhesives	- 3.0	+ 0.4	- 0.9
Toothbrushes	+ 4.7	+ 0.8	+ 6.4
Dental Aids	+ 4.5	- 0.7	+ 14.3
PROPRIETARY REMEDIES	- 3.4%	- 3.8%	- 4.8%
Antacids	- 6.7	- 4.0	- 2.6
Internal Analgesics	- 2.6	- 3.3	- 2.0
External Analgesics	+ 0.3	- 4.0	- 9.1
Cold Remedies	- 2.6	+ 4.0	- 0.4
Nasal Sprays/Drops/Inhalers	- 13.0	- 6.6	- 4.4
Chest Rubs	- 5.9	- 0.7	- 0.2
Cough Remedies	- 3.9	+ 5.2	+ 0.4
Laxatives	- 5.4	- 1.3	+ 1.0
Sleeping Aids	- 0.2	+ 1.5	+ 2.7
Tranquilizers	+ 0.5	- 1.1	+ 1.7
Synthetic Vitamins	- 1.1	+ 6.9	- 4.9
Natural Vitamins	+ 3.4	+ 6.0	+ 2.8
Eye Care Products	+ 3.3	+ 8.9	+ 8.5
Appetite Suppressants	- 16.2	- 19.9	- 13.3
SHAVING NEEDS	- 3.4%	- 3.8%	- 3.8%
Shaving Creams	+ 0.1	+ 11.6	- 4.6
Pre-Shave Lotions	+ 6.9	+ 9.5	+ 4.8
After-Shave Lotions	- 1.5	- 8.7	+ 4.9
Razor Blades	- 3.6	- 6.2	- 6.8
Razors & Blades	- 7.2	+ 0.5	+ 18.7
SKIN CARE AIDS	- 6.8%	- 3.7%	- 3.7%
Hand & Body Creams & Lotions	- 7.3	- 3.2	- 2.2
Facial Preparations	- 6.0	- 0.7	+ 5.6
Lip Care Products	- 16.2	+ 11.2	- 3.7
Suntan Lotions & Oils	+ 2.4	+ 0.6	- 21.1
Cosmetic & Medicated Skin Aids	- 3.9	- 8.3	- 3.9
TOTAL ALL CATEGORIES	- 3.4%	- 3.2%	- 4.4%

HBA Losses Continue Through The End Of Summer, But Trend Shows Slight Improvement

August dollar increase is higher than
annual rate

BY ALAN B. MILLER JR.

Since Arbitron/SAMI reports are issued 13 times a year and SB is published monthly, each year about this time we prepare a report on HBA food store trends for two four-week periods instead of one. This review will focus on trends during the four-week periods ending August 11 and September 8, 1989, in comparison with the corresponding periods of a year ago.

Although the overall sales picture is not particularly rosy, the 52-category unit sales decline of 0.7% in the September reporting period was significantly lower than the loss rate of 2.9% recorded during the four-week period ending on July 14, 1989. The September trend was also a slight improvement over August's 1.0% overall unit decline.

One signal for optimism is the fact that there was a gain of \$26 million, or 4.0%, during the most recent four-week period, a rate of gain superior to either the annual dollar increase of 3.7% or the 12-week gain of 2.7%.

Even so, the HBA tonnage trends in both reporting cycles were weaker than those of the other four product departments. As of the four weeks ending September 8, 1989, shelf-stable food tonnage improved 1.3%, frozen food gained 0.7% and refrigerated foods were ahead 4.0%. Dry grocery non-food unit volume was essentially the same as last year.

Most categories decline

Only two out of eight product groups showed gains in the August period, and three out of eight in the September period. Among individual HBA product categories, the losses also outnumbered the gains: 28 to 23 (with one unchanged) in August and 30 to 22 in September.

In drug stores, total unit volume in the 52 HBA categories rose 1.9% in the August report-

ing period but fell 3.3% behind in the more recent reporting period.

Three additional HBA categories tracked by Arbitron/SAMI are not yet included in the totals because two full years of data are not yet available for them. In each of these categories the trend was positive, with double-digit unit volume gain rates in the September period: contraceptives (+17.5%), personal lubricants (+10.6%) and home testing kits (+32.8%).

For two other newly tracked categories, four-week and 12-week year-ago data is now available, and the trends were also favorable: thermometers (+8.3%) and elastic goods & dressings (+87.7%).

The baby needs product group showed a downward trend in both periods, although the September loss of 3.4% was an improvement over August's 6.0% loss. The only category with a small gain (less than 1%) in both periods was infant clothes, which has relatively low volume.

Non-stick deodorants fall

Deodorants had a lower loss rate in the more recent period, primarily as a result of gains contributed by stick deodorants and foot deodorants/athlete's foot remedies. However, there were double-digit loss rates in three of the eight categories in this product group: spray deodorants (-12.0%), roll-on deodorants (-10.3%), and cream deodorants (-10.1%).

The most recent four-week period showed a plus of 1.4% for all seven categories of hair care needs combined, but this rate of increase was lower than the 2.7% gain in the prior month. Categories with losses outnumbered those with pluses four to three.

The gains were achieved by hair spray (+5.5%), hair setting needs (+6.2%) and hair conditioning rinses (+2.2%). There

SAMI UPDATE

was a loss of half a percent in the highest volume hair care needs category — shampoo. The other three September period losses (which were also found in the August reporting period) were 9.4% for hair dressing needs, 3.2% for home permanent kits, and 2.2% for hair coloring.

Oral hygiene improves

There was a return to the plus column for the oral hygiene product group, which went from a 2.6% loss rate in August to a 0.5% increase in the September reporting period. The only category that did not share in the trend improvement was the low-volume breath freshener category, which moved from a small gain to a slight loss.

The trend in the high volume toothpaste category was still downward (– 2.3%), but this was an improvement over the decline of 5.0% for a full year or 5.2% during the 12-week interval. Mouthwash sales were 3.2% higher in the September period,

Although proprietary remedies as a whole remained a problem group, eye care products showed a strong gain in each of the four-week periods.

and dental aids improved from a loss the previous period to post a sparkling gain of 14.3%. Toothbrushes were also up 6.4%.

Proprietary remedies remained a problem product group, with its rate of decline increasing from a loss of 0.8% in August to a drop of 1.5% in September. Eight of its 14 categories showed a loss.

The sharpest September decline rates were found among appetite suppressants (– 13.3%) and external analgesics (– 9.1%). The decline rate for the high-

volume internal analgesics category was 2.0% as compared with a 3.3% loss rate in the preceding period.

The only cough and cold remedy category with a September rate of gain was cough remedies (+ 0.4%). Cold remedies fell by an equal amount (0.4%). Chest rubs lost less than 1% in both periods, while nasal sprays/drops/inhalers recorded sharp declines (– 6.6% and – 4.4% in the two periods).

The best category performance in the group was achieved by eye care products, where the four-week 8.5% gain rate was higher than either 52- or 12-week figures. Sleeping aids and natural vitamins were ahead in both four-week periods, but synthetic vitamins moved from a gain of 6.9% in the August period to a loss of 4.9% the following month.

The sales picture in the shaving needs product group deteriorated between periods, moving from a loss of 1.5% to a decline

of 5.0% in the most recent period. Shaving creams had a gain of 11.6% in the August period and a loss of 4.6% as of the September period.

On the other hand, there was a favorable trend among after-shave lotions, which moved from minus to plus between periods. Razor blades continue with a case of the blahs, while razor sets had expanded volume of 18.7% in the most recent period.

The overall trend in the skin care aids product group was nearly identical during the two periods—losses of 2.0% for the August period and 2.1% for September. There was an improvement in the trend for facial preparations, which moved from a loss of 0.7% to a gain of 5.6%. However, both lip care products and suntan lotion/suntan oil went from gain rates to losses, and hand and body cream/lotions and cosmetic medicated skin aids suffered losses in both periods. ■

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NEW DESIGNS FOR A NEW DECADE

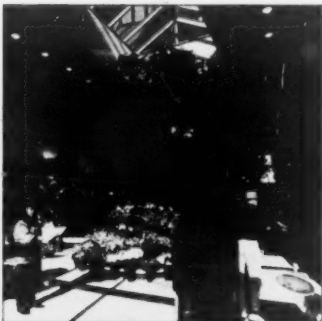


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CAN PROFITS GROW IN LIVE SEAFOOD TANKS? MIKE DUFF 18

Properly used, seafood tanks can hook more customers ... but careful planning is needed to avoid pitfalls

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Once, good quality and low prices were all grocery stores needed. Then it became essential to add services. What's next? Here's how four stores have updated for a '90s look.

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AT HOLIDAYS ARE YOU ALONE IN A CROWD? DAVID LITWAK 1A

At holiday time, extra service help becomes hard to find, just when you need it most. Here's how several stores cope with the crunch.

HARTVILLE IGA: WHERE "PERIMETER DEPARTMENTS" ... AREN'T DAVID LITWAK 7A

Instead of lining the walls, this remodeled store's instore sections form a complete fresh food store at one end.

HOW TO SELL NEW SERVICES LEONARD L. BERRY 19A

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By Ken Parich,
Editor-in-Chief

The \$346 Billion Misunderstanding

(Or Why We Still Need a National Food Policy)

Tumbling over each other like wind-blown newspapers, food issues are coming at us faster than we can absorb them or effectively deal with them.

Each week, we reel from issue to issue, ricocheting from farm subsidies, drought, insecticides, chemical fertilizer, and grape boycotts to social and technical issues of the environment, food safety, solid waste, packaging, food irradiation, diet and health.

Yet, there is no comprehensive plan, policy or even direction suggested from any source to deal with them.

Each parochial, virtuous, self-important, self-motivated and self-satisfied interest group, from Greens to organic farm interests to natural food purveyors, is possessed by its answer to all of the above, and is more than willing to prescribe for the rest of us.

This is natural, of course. Self-interest groups, like nature, abhor a political or social vacuum, and will rush to fill it. The problem is that these self-interest groups tend to be overly simplistic.

Food policy in this country has been either a political vacuum or a political free-for-all since the '30s. And even then, only one aspect of the problem, the farm and farmers, was really considered. Some farm policy was needed to stabilize markets—no doubt. And since most of the nation was agricultural to some extent, the need touched almost everyone.

Today, only a tiny fraction of the population is directly involved in agriculture, although we are all involved in food and its implications.

Yet, no President or Senator, and only one Presidential candidate, Hubert Humphrey in 1974, ever addressed the issue of the need for a national food policy. Even he was speaking largely of agriculture and its implications and influences on

world food issues. Jimmy Carter tried to use agriculture and food as a foreign policy tool, to the detriment of U.S. agriculture.

The issue of a national food policy hadn't been raised since, until Lyle Everingham, chairman of Kroger, raised it in a speech at the American Meat

There is no comprehensive plan, policy or even direction from any source to deal with these food issues.

Institute meeting in September. He stated, quite sensibly, that the supermarket cannot assume sole responsibility for food safety, and that it is the job of the federal government.

This is not to say that the supermarket should not exercise all due diligence in how it handles, prepares and maintains the food it sells. And this is not to say that the supermarket is not responsible for overseeing its suppliers, whether of fresh fruit and vegetables, or of its own private labels and manufactured products. But it cannot be solely responsible. It doesn't have the expertise or the manpower.

And since it cannot, it would seem to follow that it should not engage in its own certification programs of food safety. A piece of paper, signed by an outside agency, certifying that a product is safe does not make it so. It just begs the question. But if the supermarket cannot be solely responsible, what should it do?

The supermarket is responsible for training its people diligently—especially in handling and preparing fresh and prepared foods. It should train its people to be alert to the dangers and the possibilities of tampering.

But it cannot replace the Department of Agriculture and the Food and Drug Administration, and assume their responsibilities. It would seem, with

the scandals emerging from the FDA, including "The Cyanide Mystery in the Chilean Grape Case," as reported in the Nov. 14 issue of *The Wall Street Journal*, that food safety is too important to be left to the FDA. The questions being raised involve when and where the grapes became contaminated.

The world of food and agriculture has simply become much too complex for 1930s approaches. The issue of chemical insecticides alone has become staggering. The issues of contamination and migration of packaging chemicals are much too important to be left to the hype of those looking for simplistic causes and rallying flags.

It is silly for supermarkets to attempt to join these self-interest groups in the hope of coming down on the side of the angels, and reaping the PR benefits. Does a contract with the United Farm Workers make their crops safer than others? To my knowledge, a UFW contract does not control the use of insecticides any differently from the practices of any other farm.

Yes, it is time that we look for alternatives to the use of chemical fertilizers and chemical insecticides. And perhaps it takes oodles of zealots to make the rest of us get some of the lead out on these issues. But the issues and the problems are bigger and far more complex than those in the media-hype business and the PR-event business would have you believe.

It is not, primarily, a case of good guys and bad guys. It is not us against the chemical industry or the packaging industry or the farm industry. It is us against ourselves. The solutions do not lie in being first on your block with cholesterol-free dog and cat food, nor with disposable diapers that self-destruct on command.

Somehow, we have got to get sober, grow up, and deal with the problems of the environment. We have to realize that

Continued on page 11

Holiday Sales Hot, Profits Not, Retailers Predict; Fear Inflation

Eighty-six percent of retail operators expect this year's holiday sales to be as high or higher than last year's, according to a just-released nationwide survey conducted by the TRADE Retail Services Group, a part of Touche Ross. The results represent a compilation of 10 regional surveys.

But retailers were less optimistic about the profits arising from those sales. Of the survey's 614 respondents, 41 percent expected retail profits to decline during the holiday period; 36 percent predicted that profits would remain at last year's levels; and only 23 percent thought that this year's sales would be more profitable.

One reason for pessimism, cited by 44 percent of the retailers, is a fear of inflation. Thirty-five percent also predict lower retail gross margins.

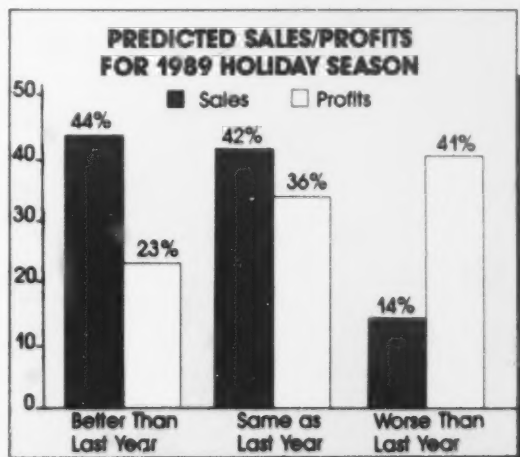
Trying to cope with the higher sales, lower profits dichotomy, retailers reportedly are split on the size of their holiday inventories. Forty-one percent say that they will have larger inventories this year, while 31 percent

are keeping leaner inventories, so as to not have to mark down as much at the end of the holiday season. Whether through lower starting inventories, increased mark-downs, or higher sales, almost half of the retailers (46 percent) expect to end the season with smaller remaining inventories than in previous years.

These findings prompted Touche Ross analysts to predict that we would not see "intense price competition" this year, at least not between Thanksgiving and Christmas.

Most of the retailers felt that controlling expenses would be the key to maximizing profitability this holiday season. Increasing sales and tight control over mark-downs are also seen as very important.

In a related survey, consumers indicated that they would be spending about as much this year as last. The survey, conducted in Los Angeles and New York, found that 47 percent planned to spend the same this year as last, 27 percent said they would be spending more, and only 24 percent felt their spending would be reduced.



Schaeneman, Tobin Move Up At Stop & Shop Companies

Lewis G. Schaeneman, Jr. was named chairman and CEO of the Stop & Shop Cos. (North Quincy, Mass.), while Robert G. Tobin was named president and COO of the Stop & Shop Supermarket Co.

The two appointments followed the resignations of Avram J. Goldberg, formerly chairman and CEO, and Carol R. Goldberg, formerly president and COO, who have both left the company.

Schaeneman has been president and CEO of the super-

market company since 1980, and is given credit by market observers for having made the division highly competitive and profitable. Schaeneman served as executive vice president, Western Region Supermarket Division, from 1975 to 1979. He joined the company in 1966. He is a graduate of Cornell and the Harvard Business School.

Tobin was formerly executive vice president and COO of the supermarket company. He is a graduate of Cornell University. Previously, he held numerous management positions in the company.

Stop & Shop underwent a very successful transition in the mid-Eighties to well-designed and well-run superstores with strong general merchandise, service departments, and pharmacies where permitted by law. The company also successfully competed against very stiff competition from warehouse stores as well as upscale service-oriented stores.

Quicker Meat Inspections: Nowhere Yet

USDA's plan to streamline meat inspections at packing plants continues to draw widespread criticism.

The Consumer Federation of America, the Government Accountability Project and the Public Voice for Food and Health Policy are jointly calling for extensive testing to determine the health implications of inspection procedure changes.

Currently, the National Academy of Sciences is studying the streamlined procedures to determine whether they can assure at least present levels of food safety.

The streamlined inspection would cut an inspector's examination time to about 12 seconds per carcass.

At first, some beef packers welcomed streamlined inspections. But they quickly withdrew their support when consumers became aroused over what they perceived to be inadequate safety guarantees. Consumers who contacted USDA about the new procedures were against the proposal 238-0, reports *The Wall Street Journal*.

Giant Eagle Tests 200,000 For Cholesterol

Cholesterol testing of 200,000 people was recently done by Giant Eagle Supermarkets (Pittsburgh) in 120 Pennsylvania, West Virginia and Ohio stores.

Testing took place over a two-week period as part of a program developed by Consumer Diagnostics, a health care marketing subsidiary of W.B. Doner & Co. Though not the first major cholesterol screening program in food stores, it is the first comprehensive program to deal with such an important health issue, Giant Eagle claims.

While stressing health maintenance, the program also points consumers to low-cholesterol products in supermarkets. "We see our supermarkets as important agents for dispensing information, and for effecting positive change," says Joe Faccenda, Giant Eagle's senior vice president of merchandising.

Heart Association Approval: The Price Isn't Yet Right, But ...

Still can't afford a Maserati, or even that new condo you've had your eye on?

Well, don't worry—there's something else you still can't afford either, even though its price has been cut: It's the American Heart Association's HeartGuide seal of approval.

Under fire for heavy upfront fees of \$40,000, the AHA decided to reschedule its fees to allow easier access to the HeartGuide program. The new four-tiered fee structure is \$10,000, \$20,000, \$30,000 or \$40,000, based primarily on your market share. The ceiling on educational fees also has been lowered from \$1 million to \$600,000.

According to AHA, the fee restructuring was prompted by higher-than-anticipated interest in the program.

But observers say it was prompted by louder-than-anticipated howls from smaller food manufacturers, who were afraid of being priced out of this new credibility "sale." And while the price cut opens the door a bit wider, many smaller manufacturers are still shut out, critics say.

Especially for new firms trying to break into the food business, already heavily fortified with economic barriers to entry, the price is still too high.

Keep howling, boys.

SAMI UPDATE

HEALTH & BEAUTY AIDS:

SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 8/11/89	4 WEEKS ENDING 9/8/89	4 WEEKS ENDING 10/6/89
BABY NEEDS	- 6.0%	- 3.4%	+ 0.5%
Baby Powders	- 5.8	- 6.4	+ 11.3
Baby Oils, Creams & Lotions	- 12.6	- 5.6	- 5.1
Infant Clothes	+ 0.2	+ 0.6	- 2.5
Nursing Supplies	- 0.0	- 0.6	+ 1.5
DEODORANTS	- 5.2%	- 4.6%	- 2.9%
Sprays	- 2.2	- 12.0	- 4.0
Roll-Ons	- 13.4	- 10.3	- 12.9
Stick Deodorants & Pads	- 1.3	+ 0.4	+ 2.2
Creams	- 14.9	- 10.1	- 12.5
Deodorants & Talcum Powders	- 16.7	- 3.6	- 3.2
Feminine Hygiene Deodorants	+ 8.8	- 1.8	- 8.7
Foot Deodorants & Athlete's Foot Remedies	+ 1.2	+ 3.8	+ 8.5
Feminine Douches	- 6.7	+ 0.4	- 0.5
FIRST AID	+ 4.4%	+ 8.9%	+ 0.3%
Antiseptics	+ 2.7	+ 1.7	+ 1.7
First Aid Products	+ 5.1	+ 11.6	- 0.1
HAIR CARE NEEDS	+ 2.7%	+ 1.4%	+ 4.1%
Shampoos	+ 0.6	- 0.5	+ 5.8
Hair Sprays	+ 6.3	+ 5.5	+ 0.7
Hair Conditioning Rinses	+ 5.3	+ 2.2	+ 8.3
Hair Setting Needs	+ 8.8	+ 6.2	+ 10.1
Home Permanent Kits	15.3	- 3.2	+ 3.6
Hair Coloring	- 0.4	- 2.2	- 0.4
Hair Dressing Needs	- 10.9	- 9.4	- 15.5
ORAL HYGIENE	- 2.6%	+ 0.5%	- 0.5%
Toothpastes & Powders	- 4.3	- 2.3	- 2.0
Mouthwashes	0.0	+ 3.2	+ 0.9
Breath Fresheners	+ 0.4	- 0.3	+ 3.4
Denture Cleaners	- 6.3	- 4.2	- 1.8
Denture Adhesives	+ 0.4	- 0.9	+ 0.8
Toothbrushes	+ 0.8	+ 6.4	+ 1.8
Dental Aids	- 0.7	+ 14.3	+ 6.5
PROPRIETARY REMEDIES	- 0.8%	- 1.5%	- 1.6%
Antacids	- 4.0	- 2.6	- 2.1
Internal Analgesics	- 3.3	- 2.0	- 2.6
External Analgesics	- 4.0	- 9.1	- 0.3
Cold Remedies	+ 4.0	- 0.4	+ 1.8
Nasal Sprays/Drops/Inhalers	- 6.6	- 4.4	- 2.5
Chest Rubs	0.7	- 0.2	- 0.2
Cough Remedies	+ 5.2	+ 0.4	- 5.3
Laxatives	- 1.3	+ 1.0	+ 3.0
Sleeping Aids	+ 1.5	+ 2.7	- 1.1
Tranquilizers	- 1.1	+ 1.7	+ 6.0
Eye Care Products	+ 8.9	+ 8.5	+ 8.5
Appetite Suppressants	- 19.9	- 13.3	- 22.5
Synthetic Vitamins	+ 6.9	- 4.9	- 5.7
Natural Vitamins	+ 6.0	+ 2.8	+ 1.1
SHAVING NEEDS	- 1.5%	- 5.0%	- 3.8%
Shaving Creams	+ 11.6	- 4.6	- 2.2
Pre-Shave Lotions	+ 9.5	+ 4.8	+ 0.1
After-Shave Lotions	- 8.7	+ 4.9	+ 3.4
Razor Blades	- 6.2	- 6.8	- 6.2
Razors & Blades	+ 0.5	+ 18.7	+ 35.5
SKIN CARE AIDS	- 2.1%	- 2.0%	- 4.5%
Hand & Body Creams & Lotions	- 3.2	- 2.2	- 6.2
Facial Preparations	- 0.7	+ 5.6	+ 8.6
Lip Care Products	+ 11.2	- 3.7	- 13.7
Suntan Lotions & Oils	+ 0.6	- 21.1	- 17.0
Cosmetic & Medicated Skin Aids	- 8.3	- 2.0	- 1.3
TOTAL ALL CATEGORIES	- 1.0%	- 0.7%	- 0.6%

Modest Decline in HBA Unit Sales Recorded for Period Ending October 6

Sales movement of hair care needs continues to improve, but proprietary sales are soft.

BY ALAN MILLER, JR.

Food store volume in 52 health and beauty aids categories whose sales we have been tracking every month remained down during the period ending October 6, 1989, as compared with the corresponding period a year ago. The unit sales loss rate of 0.6% represented a slight improvement over the 0.7% drop in the preceding period.

There were gains in three product groups, and losses in five. The best performance at the product group level of measurement was the 4.1% increase for hair care needs. The other increases were only 0.5% and 0.3%, for baby needs and first aid, respectively.

On a product category measurement level, there were four-week gains in 24 categories and losses in 28. However, these numbers would have been 29 and 28 if we had included five categories that have been added to the Arbitron SAMI roster within the past two years. Each of these registered significant unit volume increases during the period under study, as follows: contraceptives, + 15.5%; personal lubricants, + 21.6%; home testing kits, + 20.1%; thermometers, + 28.2%; and elastic goods and dressings, + 79.6%.

During the four-week period, the HBA department unit loss rate of 0.6% was matched by the poundage loss among frozen foods. But stable foods experienced an increase of 1.7% in poundage, and refrigerated foods achieved the highest growth rate, + 5.1%. Dry grocery nonfood unit volume rose 1.2%.

Dollar sales are up

In dollars, all five product departments advanced, paced by jumps of 8.7% for dry grocery nonfood products and 8.1% for refrigerated foods. Dollar sales in the 52 HBA categories combined advanced 4.7%, which translates to \$33.2 million in

the 28-day reporting period.

The HBA unit loss situation was not limited to food stores. Units in drug stores for the same categories fell 2.6% nationally in the same four-week span. Dollars in drug stores were ahead by just 0.6%.

The baby needs product group showed a unit volume gain of 0.5%. This resulted from an increase of 11.3% for baby powders, which had recorded a loss of 6.4% in the preceding period. Sales of nursing supplies also recovered from a September loss. There was a slight reduction in the loss rate for baby oils, creams and lotions.

Among personal deodorants, only two of eight categories had plus volumes over last year. Stick deodorants increased 2.2%, and sales of foot deodorants and athlete's foot remedies were up 8.5%. In the deodorant product group, there was only one new national million-dollar-a-year brand—Faberger stick. Ban spray completed national distribution, but overall the spray deodorant category fell 4.0%. The best performance in a weak roll-on category was provided by Arrid Extra Dry Glide-On.

The 3.0% gain for first aid offerings was the result of a 1.7% increase for antiseptics, where some of the cortisone-based remedies are exhibiting sales strength. Bactine and Anbesol are two major brands with current growth trends.

There were four-week unit volume increases in five of the seven hair care needs categories. The highest category increases were 10.1% and 8.3%, for hair setting needs and hair conditioning rinses, respectively.

Shampoo sales rose 5.8%, a marked improvement over the loss of 0.5% in the preceding period. This turnaround was aided by the national launching of Rave Shampoo and the ability of Procter & Gamble to record

SAMI UPDATE

sharp gains for Pert Plus without cannibalizing the volume of regular Pert.

Hair spray volume increased only 0.7%, which is below both the 12-week gain rate of 4.0% and the annual increase of 3.0%. Part of the gain for hair conditioning rinses was the result of the completion of national distribution of Rave Conditioner. Two Gillette brands, White Rain and Silkience, are showing strength, and the various Salon Selective entries of Helene Curtis are helping to increase volume in their respective categories.

New Toni Epic Wave has contributed to a sales gain among home permanent kits. The weakest hair care needs categories are hair coloring, where men's items are growing in importance, and hair dressing needs, where men's grooming items are generally continuing a sales slide.

Although five of the seven oral hygiene categories enjoyed sales gains, the product group had a combined loss rate of 0.5%. Most of this was due to a loss of 2.0% in the high-volume

toothpaste and powder category. There was also a decline of 1.8% for denture cleaners. There were no new million-dollar brands in the toothpaste category, but there was impressive growth for Arm & Hammer Dental Care, and national distribution of Colgate Jr. was completed.

The increase of 0.9% for mouthwash can be attributed to growth for Listerine, Chloraseptic and Viadent, as well as the appearance of Plak Attack in 30 SAMI markets. Colgate brands of toothbrushes were responsible for the category's 1.8% increase. Private label offerings of dental floss contributed to the 6.5% gain for dental aids.

There were 1.5 million fewer units of proprietary remedies sold in food stores compared to the year ago four-week reporting period. Losses were recorded in nine of the 14 categories monitored. The highest unit loss rate was 22.5% for appetite suppressants, and the biggest four-week drop in total units was 827,000 for cough remedies. Losses of more than 2% were registered in four other cat-

egories of proprietary remedies: 2.1% for antacids, 2.6% for internal analgesics, 2.5% for nasal sprays, drops and inhalers, and 5.7% for synthetic vitamins.

The best gain rates were achieved by eye care products (+8.5%), over-the-counter tranquilizers (+6.0%, though on a small-volume basis), and laxatives and stool softeners (+3.0%). On a 52-week basis, only four categories of proprietary remedies recorded increased unit volume: cold remedies (+4.6%), eye care products (+7.1%), synthetic vitamins (+1.2%), and natural vitamins, minerals and supplements (+3.1%).

Razors up, blades down

A 3.8% loss in sales in the shaving needs product group is attributable to declines in the two categories with the highest unit volume—razor blades (-6.2%) and shaving creams (-2.2%). Much of the 35.5% gain for razors and blades can be credited to the launching of Schick's Slim Twin razor, along with an improvement in Wilkin-

son sales. There were also increases of 0.1% and 3.4%, respectively, among pre-shave lotions and after-shave lotions. Volume in the latter category was enhanced by the national introduction of S.C. Johnson's Edge. Samples of this new fragrance were placed in the caps of Edge Shaving Gel cans.

There was only one category of skin care aids with a favorable four-week trend. The brands that performed strongly in this category included Oil of Olay Lotion, Ponds, Night of Olay, St. Ives, Clean & Clear and Neutrogena. There were no new national million-dollar brands in the hand and body cream/lotion category, although Eversoft has achieved national availability status.

The only major new product introduction among suntan oils-suntan lotions was Vaseline Intensive Care, and the category volume trailed last year's four-week level by 17%. There was an improvement in the loss rate for cosmetic and medicated skin aids, which moved from a decline of 3.9% in September to a decline of only 1.3%. ■

STANDING IN LINE

Continued from page 55

another approach. It capitalizes on the strong desire by vendors to be at the front end by selling peghook space at the checkouts. Hooks rent for six to 10 dollars, and the items are changed every six months. The buyer reports being offered more items than the space will allow and being able to be selective to get the best overall mix and variety.

This is indicative of the degree of competition for the front-end space. While this program may not fit into all manufacturers' marketing programs, it does give some the opportunity, if they have allowances available, of spending their money where they will get a direct payback from the favored position in the store for a guaranteed period of time.

What items sell best at front end? Almost anything that will fit at the front end will sell there! However, in order to maximize sales and profits from this section, retailers need to use discretion and judgment. Therefore, product size is a key factor.

Some of the best items that retailers are displaying at the front end are air fresheners,

audio cassettes, balloons, batteries, brushes, cellophane tape, combs, disposable lighters, electrical tape, emery boards, extension cords, eyeglass repair kits, fuses, film, glues, hair care accessories, incense, kitchen gadgets, lip therapy, memo pads, nail clips, nail files, night lights, novelty items, paring knives, pencils, pens, plastic straws, playing cards, pot-pourri, razor blades, razors, rubber bands, sewing kits, shoe laces, toys and video cassettes.

Retailers have different philosophies about front-end merchandising. Some believe in the "clean" front-end theory and limit their front-end merchandising to low-profile fixtures with periodicals and confections only. Other retailers make more effective use of the space by incorporating floor displays and display tables, in addition to a total front-end merchandising program. These retailers must believe in the old theory that "nothing sells merchandise like merchandise."

Competition for front-end space is not likely to diminish. Even though good retail operators try to avoid having customers waiting in the checkout lane for a prolonged period of

time, it's inevitable that customers will have some delay at the checkout. Nobody likes to wait, and people waiting are usually very bored. Their eyes are continually looking around for something of interest.

It's been reported that the exposure an average item gets in a supermarket is approximately two-fifths of a second. The exposure period of items at the checkout area is much greater, and the customer is not preoccupied with items on the shopping list. These are perfect conditions for impulse sales.

And if the shopper has children, the checkout line provides an opportunity to buy a little present as a reward for good behavior.

As much as people complain about the cost of food, they do like to spend money. It's a form of gratification. It's easy to reach over and drop another item on the conveyor. After all, they're going to be pulling out their wallet to pay for their purchases anyway.

When you analyze this situation, you could not ask for more as a seller of merchandise. Is it any wonder the vendors are "standing in line" to get items into this choice spot? ■

TECHNOLOGY

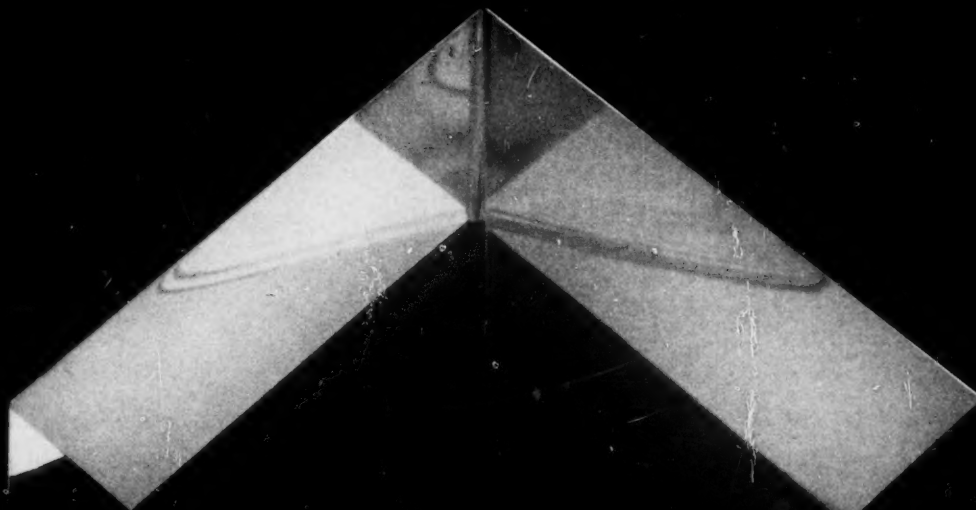
Continued from page 15

port on its new systems at the Steering Committee. It's been my experience that these reports are self-serving, and do little more than establish the fact that information systems consider their work done, and the report is its way of getting the sponsoring department to acknowledge this fact. The original concept of a post-audit review was to see if the benefits anticipated to justify the development expense were achieved.

Can you improve on the usability of systems for your company? Of course you can. None of us—at least not in every application used in our companies—has the full array of training support I've described. And far too few companies have interdepartmental reviews of new applications before or after systems implementation. If we did, those applications would address the needs of more of our users, and they'd be designed, from the beginning, to do so. That's our challenge, yours and mine, as we prepare for the new decade. ■

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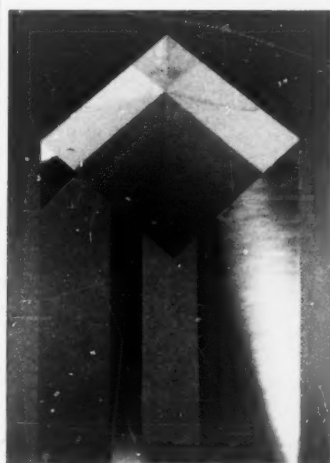
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Cover photos: Marisa Pellegrini (award), Don McKenna (inset). Pictured on cover, from left to right: Todd, Donald, Terry, Scott, Mark, and Craig Schnuck.

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Schnuck's Markets, Inc. is synonymous with supermarkets in St. Louis, and synonymous with leadership in the industry. In the company's 50th year, the third generation of the Schnuck family is preparing to continue the company's traditions into the next century.

BRANDED CHILLED FOODS: NOT YET A SURE NET MIKE DUFF

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Will branded chilled foods become an important new supermarket department? Perhaps so—but it may take longer than you think.

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During the 1990s, consumers will need convenience more and more—but not always for the same reasons. You can benefit by paying attention to your customer profiles ... and adapting quickly to change.

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Self-service deli sales are growing—and not always at the expense of the service deli. The right mix of service and self-service offerings can increase your overall deli sales significantly.

GIANT FOOD: RAISING SERVICE ANOTHER NOTCH LAUREN LEKOSKI

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The company's most extensive array of convenience foods yet is featured in Giant Food, Inc.'s newest store.

PREPARING FOOD ELAINE READER

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The reason I can't write about the '90s is that I haven't the slightest idea of what to say. If anyone can figure out what is going to happen in the next 10 years or 10 months, you are a better man than I am.

Take the economy. It is fashionable right now to predict a recession. After a long period of boom, how smart do you have to be to predict a downturn? This happened in the late '70s. Everybody was predicting a recession from 1975 on. When they finally got it, in the early '80s, it was a lot worse than what they expected. *Fortune* magazine says we are not going to have a recession in 1990. That's good news. I think I'll listen to *Fortune*.

I, for one, do not like recessions. They make me nervous. They make me nervous because I am not on a fixed income, and I am not rich. My income can fluctuate. Editors customarily do not get big increases in income during recessions. They get tiny ones—if any at all.

And the accountants look at you as if it's your fault that the economy isn't doing better. They get positively nasty about expense accounts, about taxis and car rentals. "Did you have to go all the way to Reno?" they ask. "Only if I wanted to get to the meeting," I reply. "Part of the way would have done me no good at all." Imagine announcing that you are going to Hawaii. Not on your life.

Another reason I don't want to write about the '90s is that thinking about it makes me very serious, if not actually depressed. The other night I started thinking about having to write about the '90s, and I got so bogged down in Eastern Europe alone that I thought I would never recover.

What happens when all these Eastern Europeans start exercising their pent-up demands for blue jeans and Nintendos? Great for The Gap, you say. Maybe, maybe not. What happens when they start looking enviously at those West German Mercedes and BMWs? I don't care if they do cost only \$12,000 in West Germany; that's still a lot of rubles, or whatever.

What happens to U.S. agriculture when it starts exporting to fill those Eastern Europe

supermarkets? What happens to the price of beans in the U.S. of A.?

There's a lot of cheap labor available, you say. But that cuts two ways, too, Buster. That could mean that all that cheap labor can start pouring out a lot of cheap food once those collective farms are into the free market. Come 1992, how happy are those European Economic Community chaps going to be to have to compete with cheap-

A threat of world peace is a very serious thing. We've forgotten how to deal with that.

labor Eastern Europe? Will they want to let the U.S. play in the game at all?

And what happens if all this rattles down into a whole reshuffling of the world economy? Do you realize that a threat of world peace is a very serious thing? We've forgotten how to deal with that.

What happens to the world economy when all that money spent for armaments has to be spent on other things? Like bridges, and sewage treatment plants. You can't make any money on sewage treatment plants. That's the public sector. The public sector spends money, it doesn't make money. A peace dividend? Surely you jest.

What happens if all this results in lower prices? That could be a real disaster. We know how to deal with higher prices. We don't know anything about lower prices. Certainly not at the supermarket.

How would you like to explain to the stockholders that



By Ken Parich,
Editor-in-Chief

your volume is down because prices are down? Do you think that people buy more groceries when the prices are cheaper? Forget it. There isn't a board of directors in the land, let alone a security analyst, that knows how to deal with less total volume than the year before. Every year has to be better than last year. That's a rule.

What happens when all the Grummans of the world start making aluminum plowshares? The market for plowshares gets very crowded, is what happens. Who's going to fill all that empty ad space left by Lockheed and McDonnell Douglas in *The New York Times*, *Fortune* and *The Economist*? Not General Motors. It's got its own troubles.

That's why I can't write about the '90s. Because it keeps me awake nights. And if I don't worry about Eastern Europe and all its implications, who's going to? Answer me that. Not my wife. She's already being kept awake nights from trying to teach English to all those dummies who think this gravy train is going to last forever. They're all going to be basketball stars, or get a job playing bass on MTV. That's what they think.

And if this isn't bad enough, what happens when all those new free market participants from Eastern Europe—to say nothing of China—start churning out their own Nintendos and mountain bikes, and get their blast furnaces belching carbon dioxide into the atmosphere? Where's your greenhouse effect going now? Hey? They all want air conditioners, too. Where's your ozone layer now, baby?

Oh, it goes on. It gets worse and worse. There's no end to it. Talk about no man being an island... That's what I want—an island. Anywhere. Somewhere so quiet you can hear your beard grow. Where there are no typewriters and no PCs. Where I won't have to write about the '90s. What was wrong with the '80s? I was just getting used to the '80s. I'd like to stay there.

Oh, there's a spectre loose in the land all right. But it's not the spectre of communism. It's the spectre of a new bunch of cats

Continued on page 11

TRADE SCAN

Sharpen Your Edge in the Sun At NGA's San Antonio Convention

Developing successful competition strategies is the theme of the National Grocers Association convention this month. The NGA Convention & Buying Merchandising Expo, whose theme is "The Winning Edge," is scheduled for January 21-24 at the San Antonio Convention Center in San Antonio, Texas.

The opening general session will kick off with a lively debate between industry and government experts on today's economic challenges led by Arthur Miller, profes-

sor of law at Harvard Law School, correspondent of ABC-TV and host of the nationally syndicated series *Headlines on Trial*.

But, of course, no convention would be complete without some well-known sports figures. NGA's include two former quarterbacks, the Pittsburgh Steelers' Terry Bradshaw and the Dallas Cowboys' Roger Staubach.

Entertainment is headlined by singer Johnny Mathis and includes a Dessert Party in a replica of Texas's own Gilley's nightclub.

Health Survey Reveals a Consumer Confused About Conflicting Claims

One can fairly conclude from a new survey that a combination of product health claims, contradictory medical evidence and poor communication about disease risk factors is confusing a majority of consumers about how to eat heart-healthy diets.

The survey, by *Prevention* magazine, divided the adult population into several groups. Group names were somewhat arbitrary; for example, the majority of the fittest group, the "Healthy and Wealthy," earn \$35,000 a year or less, while just 23 percent earn more than \$50,000.

The H&W group represents about 25 percent of the population. "Safe and Satisfied," the next healthiest group according to *Prevention* criteria, are generally blue collar or professional, earn less than \$25,000 a year, and are satisfied with their level of health maintenance effort.

"Sedentary but Striving" individuals are healthier than average, but want to improve.

The "Young and Reckless" represent the 38 percent of

the population who have health knowledge, but don't act on it.

The "Fat and Frustrated," want to be healthy, but lack the know-how and resources to get there. They are split between blue collar and professionals, and earn \$25,000 or less.

The "Confused and Indifferent" are overwhelmingly blue collar, earn \$25,000 or less, score lowest in health behavior, and don't care.

The survey posed a number of statements about behaviors that bear upon spending and shopping patterns. For instance:

"I'm often confused about what I should do to stay healthy." To this statement, 38 percent of the C&F, but only 21 percent of the H&W, responded in the affirmative.

"There are so many different reports on what kinds of foods increase or decrease your risk of heart disease that I don't know what I should or should not eat." Fifty-one percent of all respondents agreed with this statement.

EPA Recommends Ban on Widely Used Fungicide; Predicts Produce Price Hikes of 2.5%

Well, round one of the food safety is over, and it may throw the food industry for a loop. The EPA is recommending the banning of EBDCs (ethylene bisdithiocarbamates), fungicides used to protect a broad range of fruits and vegetables.

As "The Politics of Food Safety" (SUPERMARKET BUSINESS, December 1988) detailed, the United States Environmental Protection Agency was asked by Congress to review crop protection chemicals, including pesticides and fungicides, that had been approved for use before current safety testing was instituted.

That includes a sizable percentage of chemicals used today... such as EBDCs.

EPA says the ban will increase produce prices by about 2.5 percent. But many members of the food industry believe the price will climb far higher.

Supermarket operators and others also have reacted with dismay to EPA's recommending the ban before determining, in a market basket study, how much of the chemical actually remains on the fruit after it gets to the shelves.

Another important point has been made by the Center for Produce Quality, a foundation established by the Produce Marketing Association and the United Fresh Fruit and Vegetable Association to deal with pesticide and related issues. The association asserts that fungicides, because they are topical protection and don't penetrate fruit, can be washed off.

EBDCs in their maximum allowed amounts can cause four "excess" cancer cases per 10,000 people, according to an EPA test model. But such predictions are notoriously inaccurate, because the

amount of pesticide plugged into the test model is almost always far in excess of the amount people consume.

So why did the EPA trumpet its findings so quickly? One reason may be that the Food and Drug Administration's credibility has been undermined by the Alar controversy and the Chilean grape mystery. With these debacles in mind, the EPA is likely to take a very stringent approach pesticides.

As we've said before, folks, get ready to deal with one pesticide issue after another for the duration of the 1990s.

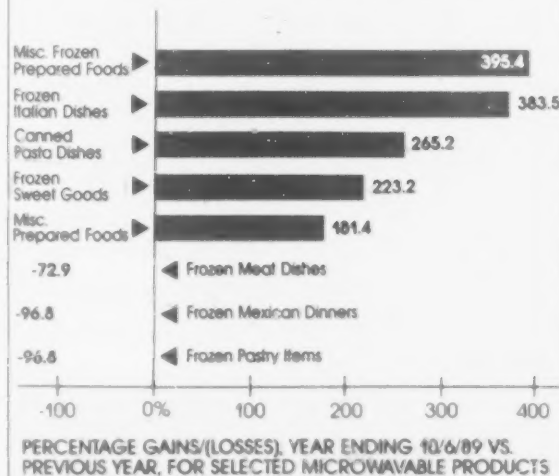
Why I Can't Write About The '90s

Continued from page 5 in the free market game. A game we had pretty well sewed up.

What happens when all those Chinese start driving around on motor scooters instead of bicycles? What happens to the price of oil then? OPEC is once again sitting pretty. Once again, it's long lines at the gas pump.

When I start thinking about the '90s I want to stick my head out the window and yell, "I'm mad as hell! And I'm not going to take it anymore!" The '90s? I'm not going.

Italian Dishes Grow, Mexican Slows, Says SAMI Microwave Product Study



When choosing microwavable foods at home, more people are choosing Italian, according to a Microwave Product Report recently released by Arbitron/SAMI. The report, based on SAMI warehouse withdrawal data, compares the 52-week period ending October 6, 1989 with the previous one-year period. During the period, dollar sales of...

- Frozen Italian dishes showed a 383.5 percent increase.
- Frozen Oriental dishes gained just 19 percent.
- Frozen Mexican dishes were down 34.6 percent.

CONVENIENCE IN THE 1990s



FROM NICETY TO NECESSITY

BY CAROL
FENSHOLT

Today, convenience... isn't. Today and into the 1990s, convenience won't be a nicety; it will be a necessity.

Today, says one frozen food company, it wouldn't dare bring out a meal that takes more than single-digit number of minutes to put on the table.

Why? No, it's not just that today's consumers are spoiled. It's that they're desperate. Household income may be higher than ever... but so is its price.

A spouse's job helps pay the bills... but no doubt about it, you pay, too! Maybe you now throw your own dirty socks in the wash... iron your own shirts... pick up your own dry cleaning... and even do some of your own supermarket shopping.

And, because you're busy doing all that, there's no time left to figure out why the deck is creaking or the faucet is leaking or the dryer is squeaking.

So your harried mate makes call after call all over town, in search of repairmen who, it seems, can never be found.

Leisure time halved

That's why, if you're like many of your customers, your household's leisure hours are now just about half what they once were... dropping from an average of 26 hours in 1973 to a mere 14, according to the recent Coca-Cola

In the 1990s, convenience won't be just a store's point of difference—for successful operators, it will be a supermarket staple.

Retailing Research Council study.

That's why, these days, convenience isn't merely convenient—it's a matter of survival.

That's why takeout food from restaurants has grown over five times faster than either grocery sales or in-restaurant eating, the study reports (see graph).

No matter what words consumers use to describe it, whether

- "Avoiding cooking" (60%), or...
- "Too tired to cook" (39%), or...
- "Saving time" (39%), or...
- "Avoiding clean-up" (38%), or...
- "Coming home late" (38%)...

the message is the same: "Convenience is critical."

That's why amenities such as delis and expanded GM have accounted for more than one-third of supermarket sales and profit growth since 1983... while accounting for only about one-seventh of total volume.

But there's more to conven-

ience than shopping for food and food-related items alone... and convenience in all of its forms is important to more consumers than just the working husband and wife.

Six groups, many needs

As has been widely publicized, the Cola-Cola study separates U.S. consumers into six distinct groups (for profiles of each, see separate box):

- Avid Shoppers
- Hurried Shoppers
- Unlettered Shoppers
- Kitchen Strangers
- Kitchen Birds
- Constrained Shoppers

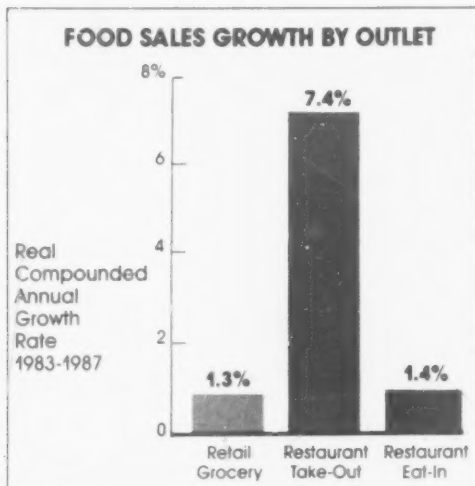
Of all these groups, there's only one—Avid Shoppers—to whom convenience is or will continue to be relatively unimportant... and this group is projected to shrink from its present one-fourth of all households to just one-fifth during the 1990s.

Currently, this group consists of 23 million households, or 26 percent of the total. But over the next 10 years, this group is expected to decline to 21 million households, or 20 percent.

By contrast, four of the groups adding up to a full 60 percent or better of American households will be convenience-oriented (albeit for differing reasons)... with the rest—the 20 percent who will be Constrained Shoppers—needing convenience, too, but unable to pay a premium for it.

And the need for convenience will be across the board. It will apply to every aspect of ordinary

Weekly leisure hours have dropped to about half what they were in the early 1970s ... from 26 to just 14.



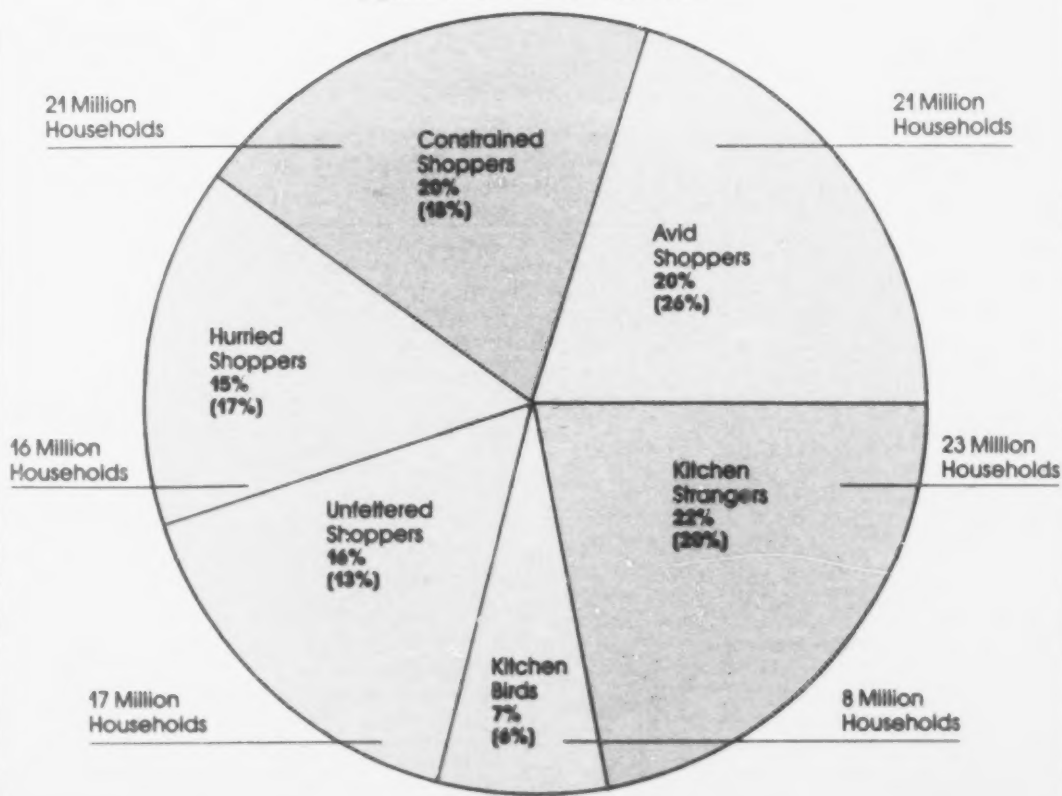
Above and right, the growing need for convenience is changing both *where* and what kinds of foods are bought. The trend is expected to continue through the 1990s (below).



SIX CATEGORIES OF AMERICAN CONSUMER

- **Avid Shoppers**—the active cook/shopper/bargain-seekers who have traditionally been the supermarket's core customers
- **Hurried Shoppers**—busy shoppers looking for shortcuts in shopping and cooking
- **Unfettered Shoppers**—mostly older consumers with empty nests and considerable disposable income but less need to shop carefully for food
- **Kitchen Strangers**—sophisticated, childless consumers who are more likely to rely on restaurants than supermarkets
- **Kitchen Birds**—older consumers who eat lightly and are spartan shoppers
- **Constrained Shoppers**—unsophisticated, undereducated consumers with very limited income

PROFILE OF U.S. SHOPPERS IN THE YEAR 2000
(Figures in Parentheses Are 1985 Shares)



Source for all three charts: Coca-Cola Retailing Research Council

life ... 15-minute oil changes from Jiffy Lube, 30-minute delivery of Domino's Pizza, One-Hour Martinizing by the dry cleaner.

And, the Coca-Cola study stresses, no convenience consumers need should be beyond the range of your consideration.

Pace of change quickening

As the Coca-Cola study underscores, the pace of change is faster today than ever before ... even the fast-paced 1980s.

Retailers—especially supermarkets—feel the effects of change more quickly and more directly than most business sectors, the study points out:

- The barriers to entry of some new formats targeting portions of the supermarket's traditional business are quite low. This makes it possible for them to spring up overnight. And, like brushfires, they must be dealt with before your future is out of your own control.
- Even small shifts in volume have enormous implications for profit.

Accordingly, it's important, the study says, "to do what you have always done—adapt—but do it *faster and in new and bold ways*."

Needed to do so is "a merchandising strategy, both on an overall and on a category-by-category basis, designed to help achieve (your) objectives in the marketplace."

And that, in turn, requires "a management system that enables the organization to pro-actively create and to respond to change."

Questions to open the 1990s

Easier said than done? Always. But you can get the new decade off to a good start, the Retailing Research Council advises, by asking yourself these questions (and re-asking them regularly) ...

MERCHANDISING STRATEGY:

- Who, by category, are your key competitors?
- By category, on what basis do these retailers compete? Breadth? Price? Mix?
- Which of your product categories are the money-makers? Which draw traffic and convert this traffic into profits? Are you sure? How can you confirm your judgments?
- Which categories should be focal points for your operation—i.e., categories in which you should dominate? Which should be edited severely? Which should be dropped?

Continued

Most important, do not do nothing! As the shakeouts of the past decade have proved, change is only truly dangerous for those who don't when their competitors do.

RISK AND REWARD COMPARISON

	SPECIALTY STORE	NUTRITION	CONVENIENCE	SERVICES	ASSET UTILIZATION
	Pet Store	Eat Right Club	Mini-Store	Home Services Agency	Streamlined Dry Grocery Department
ELEMENTS OF RISK					
Dollar Investment	●	●	●	●	●
Incremental Space Requirements	●	●	●	●	●
Compatibility with Existing Operation	●	●	●	●	●
Consistency with Current Customer Behavior	●	●	●	●	●
POTENTIAL REWARD					
Size and Profit Potential of Business	●	●	●	●	●
Generation of Traffic/Cross-Shopping	●	●	●	●	●

LEGEND: ● Substantial ————— Modest

In deciding how best to exploit a potential convenience/service opportunity, a risk/reward analysis—shown here for five sample ideas—may prove useful.

Ten years from now, the six consumer categories are expected to fall into the age, income, and family groups shown below. In some areas, such as major metropolitan markets, definitions of low and high income may need to be revised upward, along with dollars spent.

THE COCA-COLA RETAILING RESEARCH COUNCIL

The purpose of the Coca-Cola Retailing Research Council is to identify issues and problems that are considered top priority to food retailers and wholesalers, sponsor research in these areas and encourage the dissemination of findings.

The Council is composed of a representative cross-section of progressive retailers and wholesalers and is sponsored by Coca-Cola, U.S.A. and Coca-Cola Foods. It operates entirely independently in the selection and approval of projects.

The Council was originally founded in 1978 and has operated continuously since that date, producing a total of 10 projects, including Supermarket Merchandising For The 1990s: A Framework For Competing, from which the accompanying data was excerpted. Following is a list of studies sponsored by the Council:

- Social Trends and Food Retailing
- An Economic Analysis of the Food Distribution Industry in the United States
- The Impact of Energy on Food Distribution
- Productivity Improvement Techniques & Strategy for the Supermarket Industry
- Planning Your Financial Growth in the 1980s: A Financial Planning Model for Food Retailers
- Lessons From Japan
- Managing the Large Food Store of the Future
- Improving Store Manager Effectiveness
- Assessing and Capturing the Soft Benefits of Scanning

If you would like a copy of any of these reports, please write to us at:

SUPERMARKET BUSINESS
475 Park Avenue South
New York, NY 10016

Your request will be forwarded to Coca-Cola, U.S.A.

Source for all three charts: Coca-Cola Retailing Research Council

SIZING CONSUMER SEGMENTS

U.S. HOUSEHOLDS

	With Children						Without Children			
	Lower Income \$10-30,000			Higher Income \$30,000			Under Age 50		Age 50-64	
	Single Parent	Two Parents	Mother Works	Mother Home		Wife Home	Wife Working or Single	Children Left Home	Never Had Children	
				High Income \$30-75,000	Very Affluent \$75,000					
	Constrained Shopper	Hurried Shopper	Avid Shopper	Hurried Shopper	Avid Shopper	Hurried Shopper	Avid Shopper	Kitchen Stranger	Unfettered Shopper	Kitchen Stranger
Millions Of Households (2000)	20.5	3.3	9.8	12.0	4.5	0.7	1.9	20.7	14.2	1.9
Dollars Per Week Spent On Food Prepared At Home	\$25	33	50	56	49	56	36	41	46	39
52 Weeks Per Year	52	52	52	52	52	52	52	52	52	52
Annual Spending Power For Food Prepared At Home (\$ Billions)	26.7	5.7	25.5	34.9	11.5	2.0	3.6	44.1	34.0	3.9
DOLLARS WEEK FOR OTHER CATEGORIES										
Food Prepared Away From Home	\$10	14	21	42	25	50	19	32	25	28
Non-Food Consumables	\$13	16	30	39	37	45	27	20	29	27

SAMPLE IDEAS

IDEA	TARGET SEGMENT						IDEA	TARGET SEGMENT					
	Avid Shopper	Hurried Shopper	Unfettered Shopper	Kitchen Stranger	Kitchen Bird	Constrained Shopper		Avid Shopper	Hurried Shopper	Unfettered Shopper	Kitchen Stranger	Kitchen Bird	Constrained Shopper
Babysitting While You Shop	●	●	●	●	●	●	Master Chef Cuisine	●	●	●	●	●	●
Beauty Salon	●	●	●	●	●	●	Meal-of-the-Week Club	●	●	●	●	●	●
Blood Pressure Checkups	●	●	●	●	●	●	Men's Ties	●	●	●	●	●	●
Cataract Checkups	●	●	●	●	●	●	Mending & Hemming	●	●	●	●	●	●
Children's Photo Studio	●	●	●	●	●	●	Menu of the Day	●	●	●	●	●	●
Compact Disc Rental	●	●	●	●	●	●	Oil Change While You Shop	●	●	●	●	●	●
Confectionary Store	●	●	●	●	●	●	Optical Shop	●	●	●	●	●	●
Dating Service	●	●	●	●	●	●	Package Receiving	●	●	●	●	●	●
Designer Groceries	●	●	●	●	●	●	Pharmacy	●	●	●	●	●	●
Drive-Up Window	●	●	●	●	●	●	Postal Desk/Package Wrap	●	●	●	●	●	●
Electronic Kiosk Shopping	●	●	●	●	●	●	Real Estate Broker	●	●	●	●	●	●
Ethnic Takeout Food	●	●	●	●	●	●	Shoe Repair	●	●	●	●	●	●
Express Checkout With No Coupons	●	●	●	●	●	●	Singles Night	●	●	●	●	●	●
Film Processing Minilabs	●	●	●	●	●	●	Slippers/Sneakers	●	●	●	●	●	●
Gravity Feed Shelves	●	●	●	●	●	●	Small Appliance Repair	●	●	●	●	●	●
Home Shopping—Electronic or Phone	●	●	●	●	●	●	Snow Shoveling/Lawn Mowing	●	●	●	●	●	●
Insurance Broker	●	●	●	●	●	●	Takeout Food Checkout Aisle	●	●	●	●	●	●
Laundromat	●	●	●	●	●	●	Travel Agency	●	●	●	●	●	●
Lending Library	●	●	●	●	●	●	Typing/Checkbook Service	●	●	●	●	●	●
Maid Service	●	●	●	●	●	●	Vending Machine (Film, Batteries)	●	●	●	●	●	●
Mass Market Jewelry	●	●	●	●	●	●	Video Dating	●	●	●	●	●	●

A smorgasbord of new supermarket product and service ideas was generated in the course of preparing the Coca Cola study. The chart shows how likely each idea would be to appeal to each consumer group.

LEGEND: ● Very Attractive to Segment ○ Unattractive to Segment

Age 65-74		Age 75+
Lower Income \$10-25,000	High Income \$25,000	
Avid Shopper	Unfettered Shopper	Kitchen Bird
4.8	2.9	7.6
31	46	25
52	52	52
7.7	6.9	9.9
15	25	9
20	29	13

- In each of your trading areas, how are consumers changing? What shopping choices do they have today?
- How should categories and offerings be balanced to absorb your targeted sets of customers?
- What relative advantages (price, quality, convenience) do you have? Which should you offer compared to new competitors (e.g., fast food, discounters, gourmet shops, etc.)?
- What technologies are available (either in the U.S. or abroad) that make possible new or better products and services?

MANAGEMENT SYSTEM:

- Is the organization structured and managed to identify, create, and otherwise bring to the surface new opportunities?
- Who talks to customers to find out what they like and don't like, and where they shop for what kinds of products? How often

does this communication actually take place?

- Who is charged with the responsibility to constantly re-evaluate the business? How is this accomplished? Do the evaluators have access to the required resources and people?
- What cross-functional groups need to act as ad hoc task forces to re-evaluate how the business is conducted?
- Are measurement and performance systems structured to reward innovation and change?

Consider whole new areas

To help get ideas flowing, the Coca-Cola Retailing Research Council compiled the accompanying list of possible new supermarket services (see box).

To be sure, not all of the ideas are appropriate for you, or for your market. Some are too costly, some too risky, some too minimal in ROI terms. But at least one or

more will be worth a try.

Most important, do not do nothing! Do not fall into the comfortable trap of tradition. Do not be limited by the kind of hide-bound thinking that can hobble you.

Yes, it's difficult... to allocate the time, attention and resources to a new idea; to spring good people loose to manage and monitor it; even to think about making any kind of change at all.

But as the shakeouts of the past decade have proved, change is only truly dangerous for those who don't when their competitors do.

And remember, whatever you decide to do, be prepared to deliver it not only well, but fast.

For in the 1990s, convenience will need to become a supermarket staple. It won't be merely the thing that will give you an edge—it will be what it takes even to stay even. ■



HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 9/8/89	4 WEEKS ENDING 10/6/89	4 WEEKS ENDING 11/3/89
BABY NEEDS	- 3.4%	+ 0.8%	- 0.3%
Baby Powders	- 6.4	+ 11.3	+ 10.8
Baby Oils, Creams & Lotions	- 5.6	- 5.1	- 6.8
Infant Clothes	+ 0.6	- 2.5	- 12.4
Nursing Supplies	- 0.6	+ 1.5	+ 3.9
PERSONAL NEEDS	+ 17.8%	+ 18.8%	+ 28.9%
Contraceptives	+ 17.5	+ 15.5	+ 14.8
Personal Lubricants	+ 10.6	+ 21.6	+ 17.4
Home Testing Kits	+ 32.8	+ 20.1	+ 32.6
Thermometers	+ 8.3	+ 28.2	+ 39.4
DEODORANTS	- 4.4%	- 2.9%	- 2.3%
Sprays	- 12.0	- 4.0	- 12.3
Roll-Ons	- 10.3	- 12.9	- 7.1
Stick Deodorants & Pads	+ 0.4	+ 2.2	+ 5.0
Creams	- 10.1	- 12.5	- 5.8
Deodorants & Talcum Powders	- 3.6	- 3.2	- 0.3
Feminine Hygiene Deodorants	- 1.8	- 8.7	- 13.7
Foot Deodorants & Athlete's Foot Remedies	+ 3.8	+ 8.5	+ 6.4
Feminine Douches	+ 0.4	- 0.5	- 0.3
FIRST AID	+ 9.3%	+ 0.7%	+ 2.4%
Antiseptics	+ 1.7	+ 1.7	+ 1.2
First Aid Products	+ 11.6	- 0.1	+ 2.3
Elastic Goods & Dressings	+ 87.7	+ 79.6	+ 76.3
HAIR CARE NEEDS	+ 1.4%	+ 4.1%	+ 1.4%
Shampoos	- 0.5	+ 5.8	+ 2.6
Hair Sprays	+ 5.5	+ 0.7	- 1.7
Hair Conditioning Rinses	+ 2.2	+ 8.3	+ 4.3
Hair Setting Needs	+ 6.2	+ 10.1	+ 6.5
Home Permanent Kits	- 3.2	+ 3.6	+ 1.6
Hair Coloring	- 2.2	- 0.4	- 5.3
Hair Dressing Needs	- 9.4	- 15.5	- 7.1
ORAL HYGIENE	+ 0.5%	- 0.5%	- 0.6%
Toothpastes & Powders	- 2.3	- 2.0	- 1.5
Mouthwashes	+ 3.2	+ 0.9	- 0.6
Breath Fresheners	- 0.3	+ 3.4	+ 6.4
Denture Cleaners	- 4.2	- 1.8	- 9.4
Denture Adhesives	- 0.9	+ 0.8	+ 0.6
Toothbrushes	+ 6.4	+ 1.8	+ 5.7
Dental Aids	+ 14.3	+ 6.5	- 2.2
PROPRIETARY REMEDIES	- 1.5%	- 1.6%	+ 2.0%
Antacids	- 2.6	- 2.1	- 2.9
Internal Analgesics	- 2.0	- 2.6	- 2.1
External Analgesics	- 9.1	- 0.3	+ 0.3
Cold Remedies	- 0.4	+ 1.8	+ 6.0
Nasal Sprays/Drops/Inhalers	- 4.4	- 2.5	+ 4.1
Chest Rubs	- 0.2	- 0.2	- 8.1
Cough Remedies	+ 0.4	- 5.3	+ 9.3
Laxatives	+ 1.0	+ 3.0	+ 3.9
Sleeping Aids	+ 2.7	- 1.1	+ 5.0
Tranquilizers	+ 1.7	+ 6.0	+ 1.6
Eye Care Products	+ 8.5	+ 8.5	+ 4.2
Appetite Suppressants	- 13.3	- 22.5	- 18.6
Synthetic Vitamins	- 4.9	- 5.7	- 1.8
Natural Vitamins	+ 2.8	+ 1.1	+ 8.6
SHAVING NEEDS	- 5.0%	- 3.8%	- 2.3%
Shaving Creams	- 4.6	- 2.2	+ 4.2
Pre-Shave Lotions	+ 4.8	+ 0.1	- 4.8
After-Shave Lotions	+ 4.9	+ 3.4	- 7.0
Razor Blades	- 6.8	- 6.2	- 4.9
Razors & Blades	+ 18.7	+ 35.5	+ 25.8
SKIN CARE AIDS	- 2.0%	- 4.8%	- 4.4%
Hand & Body Creams & Lotions	- 2.2	- 6.2	- 5.9
Facial Preparations	+ 5.6	+ 8.6	0.0
Lip Care Products	- 3.7	- 13.7	- 8.3
Suntan Lotions & Oils	- 21.1	- 17.0	- 30.3
Cosmetic & Medicated Skin Aids	- 3.9	- 1.3	+ 2.4
TOTAL ALL CATEGORIES*	- 0.6%	- 0.9%	+ 0.4%

*Includes new Personal Care category

YEAR-END RALLY IN HBA FOOD STORE MOVEMENT

Five growing categories are added to the monthly tracking report.

BY ALAN MILLER, JR.

After trailing last year's unit sales for comparable periods throughout most of the year, food store unit volume of health and beauty aids rose 0.4 percent during Arbitron/SAMI's 28-day reporting period ending November 3, 1989.

Five new HBA product categories are now included in the chart: the four categories of the new personal needs group, and elastic goods & dressings in the first aid group. All these are relatively low-volume items that have had very strong gains recently, as compared with a year ago. Sales in these new categories are now included in the chart totals for the three reporting periods shown, accounting for slight differences between this chart and the charts that appeared in the two most recent columns.

In spite of the welcome 57-category gain in four-week unit movement, only four of nine product groups enjoyed plus sales. Most of the gain for the November reporting period can be attributed to the high-volume proprietary remedies product group, where the 2% gain represents nearly 2 million units.

At the category level, gains outnumbered losses 31 to 26. Not counting the newly added categories, the highest individual category advance (+ 25.8%) was found in the small-volume razors and blades category. To a large extent, this was attributable to sales from the newly launched Schick Slim Trim razor. The sharpest category decline, 30.3% for suntan lotion-suntan oil, has little significance at this time of the year.

The HBA sales improvement trend was also detected in national drugstores. Because of the importance of the five newly added categories in drugstores, their inclusion in the total contributed enough volume to bring about an increase of 0.2% over a year ago, compared with a 57-category decline of 2.2% in the preceding period.

In the baby needs group, the

3.9% four-week gain for nursing supplies is in contrast to the gain of only 0.6% on a full year basis. Losses continue to escalate in the baby oils, cream & lotions and infant clothes categories.

The only category in the deodorants group with plus volume is stick deodorants, where the 5% current gain rate was aided by the national introduction of Faberge's new entry. There was also gain (6.4%) among foot deodorants and athlete's foot remedies, but the double-digit loss rates for spray deodorants (- 12.3%) and feminine hygiene deodorants (- 13.7%) were enough to cause a 2.2% decline in the product group as a whole.

Four of the seven oral hygiene categories experienced a drop in sales, peaked by a 9.4% loss for denture cleaners. A decline of 436,000 dentifrice units was more than enough to create a loss in the product group (- 0.6%). There were respectable gain rates for both toothbrushes (+ 5.7%) and breath fresheners (+ 6.4%).

Cough remedies gain

In spite of a four-week combined decline of nearly a million units in the antacids and internal analgesics categories, the proprietary remedies group moved ahead 2.0%. This represents a gain of 1.9 million units. The unit increase in cough remedies alone amounted to most of the gain for the entire 14-category product group.

The 2.3% loss in the shaving needs resulted from poor performances in pre-shave lotions (- 4.8%), after-shave lotions (- 7.0%) and, most importantly from a volume standpoint, razor blades (- 4.9%, or half a million units). The national launching of Soft Sense shaving cream by S.C. Johnson helped its category gain 4.2%.

Not too long ago, skin care aids were setting the pace in growth. In the most recent four-week period, however, they suffered the highest loss rate (- 4.4%) of any product group. ■

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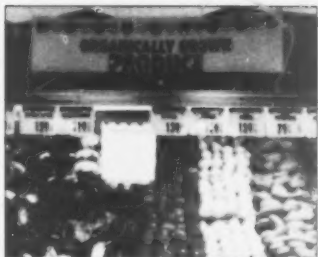
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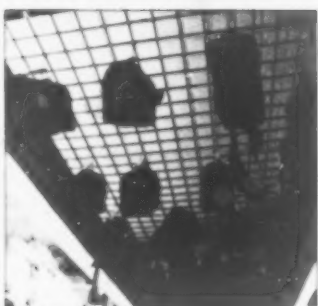
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Properly planned promotions can be a low-cost source of excitement and profit for your instore departments.

SUPER FOOD BARN: STORE RENOVATION, SERVICE REVOLUTION

3A

LAUREN LEKOSKI

Abandoning its warehouse format, Food Barn has responded to its customers' growing need for convenience by adding service departments ... and nearly tripling the store's size.

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HOW BIG IS BIG ENOUGH? (ONE MORE TIME)



By Ken Parich,
Editor-in-Chief

How big should a big store be, if a big store is the way to be? That variation on the old children's tongue twister about woodchucks is not as naive as it sounds. Last June, we asked that question in a cover story. We thought the question would stir up a lot of response, but it didn't.

Perhaps it was one of those questions that few would want to answer if it meant having to admit a bad mistake. Something like: "What ever became of that 'automated' warehouse you built and had to shut down?" As stores start heading toward hypermarket size, but with less and less justification, the question is becoming a lot more than academic.

Even if the real estate comes to you at bargain-basement prices per square foot, there are plenty of other considerations. We suspect that was the lure in many parts of the country when a lot of former discount store space became available, as general merchandise discounters went bust in the early and middle '80s.

Byron Allumbaugh of Ralphs will tell you that 100,000 sq. ft. can be too big. That's what he discovered with the 14 former Zody's that were converted to the Giant formats. So will Don Bonham of Fiesta Mart. His 180,000 square-footer in Johnson City is proving the same thing. "People don't feel comfortable in it," says Bonham, "and say it takes too long to shop." With today's shoppers' attitude toward time, there's probably no more important consideration.

But we think there are some other points to be made about store economics that have been overlooked by many operators today. A number of things happen when a store becomes very large, if a number of other things also happen. Rent is always important, of course. But so is the cost of inventory—especially high-ticket, slow-moving general merchandise, and high-ticket

perishables with a lot of added labor cost.

Something also happens to shopping frequency and the purchasing mix. Shopping frequency goes down with a very big store, because few people want to spend that much time very often. As shopping frequency goes down, the size of the transaction had better go up.

But as shopping frequency goes

If you don't turn the assets, the gross declines, the net declines and the ROI declines—and that's also what we have been doing since the '50s.

down, the mix changes. Fewer perishables as a percent of total purchases are bought—for the simple reason that the customer is limited to how much one can stockpile perishables.

But perishables carry higher gross margins. This means that the total gross margin of the transaction goes down, and the yield goes down.

But we'll make it up with the higher gross margins in general merchandise and HBA, they say. And the question comes back "Will you?" Each "cannibalized" department that supermarkets have added since the '50s has promised better gross margins, as the number of supermarkets has caught up with (and surpassed) the total available shoppers in a market. Sometimes, with things like greeting cards, they have. But sometimes they have not, because they have had to compete with existing or new forms of competition, who really set the prices. Net profits since the '50s have usually declined.

Some of the reasons are simple. When you acquire parts of a drugstore or parts of a variety store or parts of a discount

general merchandise store, you cannot count on having "captured" shoppers who have to buy from you. The odds are that the drugstore and the variety store or discount store is still going to be the price setter in those departments, or will know how to move the goods out better than you will, and that will control your gross margin in those departments—unless you occupy a very special niche.

Something like this is what happens with the hypermarket or near-hypermarket. As Al Graham of Oshawa will tell you about their experience with hypermarkets, "We got the sales in general merchandise, but we never got the gross."

There is a very high cost of inventory when it comes to perishables and service departments and general merchandise. In perishables you can get killed with shrink. In service departments you can get killed with labor cost and shrink. If you don't turn the general merchandise—that is, move it out—you don't turn the assets. If you don't turn the assets, the gross declines, the net declines and the ROI declines—and that's also what we have been doing since the '50s.

But perhaps that's as it should be. You don't get automatic rewards for reinventing the supermarket. When supermarkets were scarce, almost anybody could succeed with one. When department stores finally figured out (with the help of Malcolm McNair of Harvard) what and how the discount stores were doing to them, they put the discounters out of business. The discounters had discovered a weak spot in department store economics and exploited it. They (department stores) really weren't entitled to 40 percent gross margin on white goods.

The big store works when it brings something to a marketplace

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TRADE SCAN

Jim Moody Wins Sidney R. Raab Service Award

James L. Moody, chairman and CEO of Hannaford Bros. (Portland, Maine), is this year's winner of the Sidney R. Raab Award.

The award, considered among retailing's highest honors, is presented annually at the Food Marketing Institute's Midwinter Executive Conference in January.

It recognizes "individuals who hold firm to the values and beliefs of Sidney R. Raab, an industry pioneer and



James L. Moody

leader in serving consumers, the community and the nation," said FMI chairman Dean Werries in making the presentation.

Moody was named in recognition of his "extraordinary contribution to the food industry through community service and industry statesmanship," Werries said.

"Jim is devoted not only to his industry, but also to his community," he added. "He has heightened public awareness throughout his company—awareness of his customers as well as his employees."

Noting that Moody served as FMI chairman from 1985 to 1987—"a period marked by tax reform and the growth of technological tools"—Werries said.

"It is clear that even with his busy schedule for his own company, Jim has found the time to admirably serve his industry and his community."

NGA Board Supports Ohio Grocers' Antitrust Action Against Union

During the 1990 National Grocers Association Convention, held last month in San Antonio, the NGA Board of Directors passed a resolution in support of Ohio-based independent grocers who have used federal antitrust laws to challenge the actions of a union (*A & D Supermarkets v. United Food and Commercial Workers, Local 880*). Under the terms of the

union's collective bargaining agreement with some of the independent grocers' competitors, Local 880 members are required to initiate picketing of nonunion retailers.

Judge Batchelder rejected the union's motion to dismiss the case, ruling that the facts alleged in the complaint could, if proved, constitute a violation of federal antitrust law.

Discount Drugstores: Tough to Compete With on Price, But ...

Deep discount drug chains can severely cut into a supermarket's high-margin health and beauty business, according to a study by Willard Bishop Consulting Ltd. (Barrington, Ill.). And much of that business may not be retrievable without severely deflating profits.

But that doesn't necessarily mean that DDD chains will put supermarkets out of the HBA business. In HBA, as in other departments, the report suggests that supermarkets can maintain a strong business based on the convenience factor, even if a DDD store comes to town.

The study found that shoppers who visit both kinds of stores spend more on HBA per

visit in DDD stores than they do at supermarkets—an average of \$24.37 versus \$15.04.

But it also found that those same consumers visit supermarkets more frequently.

Buying patterns indicate that shoppers generally go to deep discounters to stock up on certain goods while continuing to do supplemental supermarket shopping between DDD store visits.

The report suggests that supermarkets that do not wish to engage in price wars with nearby deep discounters should concentrate on the convenience aspect of their HBA stock, tailoring it to those products that continue to sell well after a DDD store establishes itself.

AVERAGE CONSUMER VISITS PER MONTH

Supermarket within 2 miles of DDD	Supermarket DDD	5.46 2.41
Supermarket at least 2 miles from DDD	Supermarket DDD	5.97 1.75

Although consumers spend more per visit on HBA at deep discount drugstores (\$24.37) than at supermarkets (\$15.04), supermarket visits per month are much more frequent.

How Big Is Big Enough? (One More Time)

Continued from page 5

that isn't already there. As it was with Wegman's of Rochester, N.Y.

Wegman's brought a degree of professionalism, of presentation of product, and of merchandising, as well as size, that the market didn't have. And so, Wegman's could make the 70,000-, 80,000- and even 100,000-sq.-ft. store work. But that doesn't mean that it will work everywhere, every time, and every place. Don't forget, Wegman's was surrounded by some very weak competition.

Of course stores are, gener-

ally, getting bigger. But there has to be an optimum size for a given market, and for accomplishing what it is you want to accomplish in that market. Why should it be 55,000 sq. ft. everywhere? Unless that is the only kind of store you know how to run, and it is always going to have the same departments—which seems highly unlikely.

There isn't always the same need for a pharmacy, or a large automotive department, or a large video department. Available competition should have something to do with it. If you can't do it better, why do it? Because you've got the traffic? Uh, huh.

In this issue, there is an article on how Ralphs has repositioned its former Giant store in Hollywood. With the enormous ethnic changes taking place in many U.S. markets, there are lessons to be learned here.

Pesticides Scarcer, FDA Tests Show

The United States Food & Drug Administration has been testing foods for pesticide residues more, but finding them less, according to a recent FDA report.

In 1988, 61 percent of raw food tested completely negative for pesticide residues, as opposed to 57 percent in 1987. And less than 1 percent of domestic produce tested in 1988 was found to have pesticide residues exceeding tolerance levels set by the EPA.

The report further notes that in 1987, the year of the most recent study on the subject of pesticide ingestion by Americans, consumer intake of agricultural chemicals was less than 1 percent of the Acceptable Daily Intakes of most of the pesticides measured.

Pesticide levels in imported food products were generally higher than in domestic foods. In a breakdown of findings that includes foreign food sources, the FDA reported that vegetables had the highest incidence of residues exceeding tolerances, with 5.6 percent of samples testing over accepted limits.

Consumers Heed Cereals' Health Claims—FTC

If cereals didn't make health claims, fewer people would be eating high-fiber cereals, according to a government study.

The United States Federal Trade Commission reported, in its publication *FTC News Notes*, that a staff study concluded that health claims on cereal packaging and in promotions result in more people eating cereal, and in a greater proportion of cereal eaters turning to high fiber cereals.

While the report didn't make specific recommendations about the regulatory implications of its conclusions, it did note that the effects of the health claims are most pronounced for groups that are not well reached by media information sources.



HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 10/6/89	4 WEEKS ENDING 11/3/89	4 WEEKS ENDING 12/1/89
BABY NEEDS	+ 0.5%	- 0.3%	+ 1.0%
Baby Powders	+11.3	+10.8	+ 7.1
Baby Oils, Creams & Lotions	- 5.1	- 6.8	- 2.8
Infant Clothes	- 2.5	-12.4	- 4.9
Nursing Supplies	+ 1.5	+ 3.9	+ 3.4
PERSONAL NEEDS	+18.5%	+20.9%	+23.2%
Contraceptives	+15.5	+14.8	+23.7
Personal Lubricants	+21.6	+17.4	+18.3
Home Testing Kits	+20.1	+32.6	+22.3
Thermometers	+28.2	+39.4	+25.4
DEODORANTS	- 2.9%	- 2.2%	+ 0.8%
Sprays	- 4.0	-12.3	- 7.9
Roll-Ons	-12.9	- 7.1	- 1.3
Stick Deodorants & Pads	+ 2.2	+ 5.0	+ 1.9
Creams	-12.5	- 5.8	- 3.9
Deodorants & Talcum Powders	- 3.2	- 0.3	+ 9.9
Feminine Hygiene			
Deodorants	- 8.7	-13.7	0
Foot Deodorants &			
Athlete's Foot Remedies	+ 8.5	+ 6.4	+ 6.0
Feminine Douches	- 0.5	- 0.3	+10.5
FIRST AID	+ 8.7%	+ 2.4%	+ 7.7%
Antiseptics	+ 1.7	+ 1.2	+ 3.9
First Aid Products	- 0.1	+ 2.3	+ 7.2
Elastic Goods & Dressings	+79.6	+76.3	+98.1
HAIR CARE NEEDS	+ 4.1%	+ 1.4%	+ 3.8%
Shampoos	+ 5.8	+ 2.6	+ 6.4
Hair Sprays	+ 0.7	- 1.7	- 2.5
Hair Conditioning Rinses	+ 8.3	+ 4.3	+ 8.2
Hair Setting Needs	+10.1	+ 6.5	+12.9
Home Permanent Kits	+ 3.6	+ 1.6	- 9.2
Hair Coloring	- 0.4	- 5.3	- 2.0
Hair Dressing Needs	-15.5	- 7.1	- 8.1
ORAL HYGIENE	- 0.5%	- 0.4%	+ 1.6%
Toothpastes & Powders	- 2.0	- 1.5	- 0.6
Mouthwashes	+ 0.9	- 0.6	+ 3.6
Breath Fresheners	+ 3.4	+ 6.4	+ 8.7
Denture Cleaners	- 1.8	- 9.4	- 7.3
Denture Adhesives	+ 0.8	+ 0.6	+ 0.1
Toothbrushes	+ 1.8	+ 5.7	+10.6
Dental Aids	+ 6.5	- 2.2	+ 5.8
PROPRIETARY REMEDIES	- 1.4%	+ 2.0%	+ 1.1%
Antacids	- 2.1	- 2.9	- 0.2
Internal Analgesics	- 2.6	- 2.1	+ 1.3
External Analgesics	- 0.3	+ 0.3	- 2.3
Cold Remedies	+ 1.8	+ 6.0	+ 4.1
Nasal Sprays/Drops/Inhalers	- 2.5	+ 4.1	- 3.7
Chest Rubs	- 0.2	- 8.1	- 2.0
Cough Remedies	- 5.3	+ 9.3	- 1.0
Laxatives	+ 3.0	+ 3.9	+ 3.3
Sleeping Aids	- 1.1	+ 5.0	+ 2.3
Tranquilizers	+ 6.0	+ 1.6	+ 1.7
Eye Care Products	+ 8.5	+ 4.2	+ 6.8
Appetite Suppressants	-22.5	-18.6	-22.5
Synthetic Vitamins	- 5.7	- 1.8	+ 2.1
Natural Vitamins	+ 1.1	+ 8.6	+11.2
SHAVING NEEDS	- 1.6%	- 2.3%	- 2.5%
Shaving Creams	- 2.2	+ 4.2	- 2.8
Pre-Shave Lotions	+ 0.1	- 4.8	+ 8.2
After-Shave Lotions	+ 3.4	- 7.0	- 0.5
Razor Blades	- 6.2	- 4.9	- 3.1
Razors & Blades	+35.5	+25.8	+28.7
SKIN CARE AIDS	- 4.1%	- 4.4%	- 2.3%
Hand & Body Creams & Lotions	- 6.2	- 5.9	- 4.5
Facial Preparations	+ 8.6	0.0	+ 3.2
Lip Care Products	-13.7	- 8.3	- 9.1
Suntan Lotions & Oils	-17.0	-30.3	+ 4.9
Cosmetic & Medicated			
Skin Aids	- 1.3	+ 2.4	+ 4.7
TOTAL ALL CATEGORIES	- 0.2%	+ 0.4%	+ 1.5%

HBA UNIT SALES OUTGAIN OTHER DEPARTMENTS

Overall November rise is 1.5 percent, with volume increases in seven of nine product groups.

BY ALAN B. MILLER, JR.

For the four-week period ending December 1, 1989, unit sales of 57 health and beauty aids product categories tracked by Arbitron/SAMI showed a 1.5% increase over the comparable four-week period of the previous year.

This improvement surpassed the performances of all four other product departments during the same period, and was nearly twice the gain recorded for all product departments combined (0.8%).

Unit gains were less than 1% for shelf-stable foods, frozen foods and refrigerated foods. Dry grocery nonfood unit volume for the period was 1.2% higher than during the comparable 1988 interval.

Measured on a dollar basis, HBA's 6.7% gain was surpassed only by an increase of 8.3% for dry grocery nonfood products.

The November performance of HBA compared favorably with the 0.4% gain of the previous four-week period, and is particularly impressive when contrasted with the 0.8% unit volume loss rate for the 52-week span.

Drug store volume up 6.5%

During the same 28-day reporting period, drug store HBA unit volume rose 6.5%, a higher rate of increase than in food stores. This is due to the fact that the most recently added growth categories, such as thermometers and elastic goods and dressings, figure more importantly in the product mix in drug stores than in food stores.

Without the five new categories, the gain rate for HBA items would have been 0.3% for drug stores, and 1.4% for food stores.

The most recently created product group, miscellaneous personal needs, had the highest growth rate (+23.2%) of the nine now reported by Arbitron/SAMI. In all, there were seven product groups with four-week

unit gains and only two, shaving needs (-2.3%) and skin care aids (-3.1%), with declines.

At the category level, gains outstripped losses 34 to 22, with one category unchanged. Gains of more than 20% were found in the razors and blades category (+28.7%), and in the miscellaneous personal needs categories of thermometers (+25.4%), contraceptives (+23.7%) and home testing kits (+22.3%).

The highest loss rate for a category was 22.5% for appetite suppressants. The category volume was undoubtedly affected by the growth of Slim Fast and Ultra Slim Fast, which are reported as shelf-stable foods in the measured diet meals category.

Comparing four-week and 12-week performances, there were trend improvements in three of the four baby needs categories. But two categories in this product group still had four-week loss rates: infant clothes (-4.9%) and baby oils, creams and lotions (-2.8%). These two categories have higher loss rates for the full year.

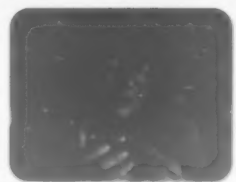
In the deodorant product group, the best showing was the 10.5% gain for feminine douches/washes/powders, while the highest loss rate was 7.9% for sprays. There were sizable gains for deodorants and talcum powders (9.9%) and foot deodorants and athlete's foot remedies (+6.0%). Within this product group, four categories have annualized loss rates: cream deodorants (-10.6%), roll-ons (-8.1%), deodorant and talcum powders (-4.0%) and sprays (-2.1%). For the full year, the highest gain rate is a 6.3% improvement among feminine hygiene deodorants.

New first aid items

All three first aid categories enjoyed four-week unit sales growth, paced by the 98.1% jump for elastic goods and dressings. Part of this increase

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SAMI UPDATE



resulted from the 1989 addition of new items for tracking in this category. The four-week trends of both first aid products (+7.7%) and first aid antiseptics (+3.9%) were more favorable than their 12-week trends of +3.1% and +2.2%, respectively.

Hair care needs gain

Although four of the seven SAMI categories of hair care needs fell behind their year-earlier levels, growth among the high-volume categories was sufficient to bring about a 3.8% gain in the entire product group. The gain rates were 12.9% for hair setting needs, 8.2% for hair conditioning rinses and 6.4% for the most important hair care needs category, shampoo. Losses were in home permanent kits (-9.2%), hair dressing needs (-8.1%), hair spray (-2.5%) and hair coloring (-2.0%).

Only two of the oral hygiene categories suffered losses. Denture cleaners fell 7.3% in four-week unit sales, and toothpastes and powders volume was 0.6% lower than last year. This four-week loss in the highest-volume category in the product group constitutes an improvement over the annual loss rate of 4.3%. The best gain rates were achieved by toothbrushes (+10.6%), breath fresheners (+8.7%) and dental aids (+5.8%).

Eight of the 14 categories of proprietary remedies recorded gains. The best showing was contributed by natural

vitamins, minerals and supplements, where unit volume rose 11.2%. Internal analgesics were up 1.3%, in contrast to a loss rate of 1.9% for the full 52-week period. Cold remedies (+4.1%) were in the plus column, but there were declines in the other cough/cold categories: nasal sprays-drops-inhalers (-3.7%), chest rubs (-2.0%), and cough remedies (-1.0%).

The growth rate for eye care products has been consistent. The current four-week increase in unit volume is slightly better than the 12- and 52-week trends (+6.5%). Lesser gains were found among laxatives and stool softeners (+3.3%), and sleeping aids (+2.3%).

Impressive gains for the two lowest-volume categories of shaving needs—pre-shave lotions (+8.2%) and razors and blades (+28.7%)—were not sufficient to erase losses for razor blades (-3.1%), shaving creams (-2.8%) and after-shave lotions (-0.5%).

The four-week unit volume declines in the skin care product group were found in the two highest-volume categories—lip care products (-9.1%) and hand and body creams and lotions (-4.5%).

Gains of 4.7% and 3.2%, respectively, were recorded by cosmetic and medicated skin aids, and facial preparations. The highest four-week gain was 4.9%; but since this was for suntan lotions and oil at a low-volume time of the year, the gain holds little significance. ■

TECHNOLOGY

Continued from page 16

third generation controller, or by making a significant investment in supplemental computers to augment the limitations of the older scanning hardware.

If your company enters the advanced level, you will be able to consider some of the following strategies:

- electronic couponing;
- using consumer data for targeted direct mail programs;
- POS instant rewards;
- frequent shopper savings accounts; and
- repeat purchase reward programs.

And the list can grow and grow.

If, as I believe, the industry will move to rewards that are in some form "bankable," like airline mileage, you will need to consider how customers will

redeem their "savings," and how they can have access to their account balance on a daily basis. This will lead you to consider customer access to a card reader and terminal within the store.

This issue can be complicated—not because of the design of the customer terminal, but because of the problem of deciding how—and how often—your company updates (with purchase information from any of your stores where the customer shops) the file that a customer accesses.

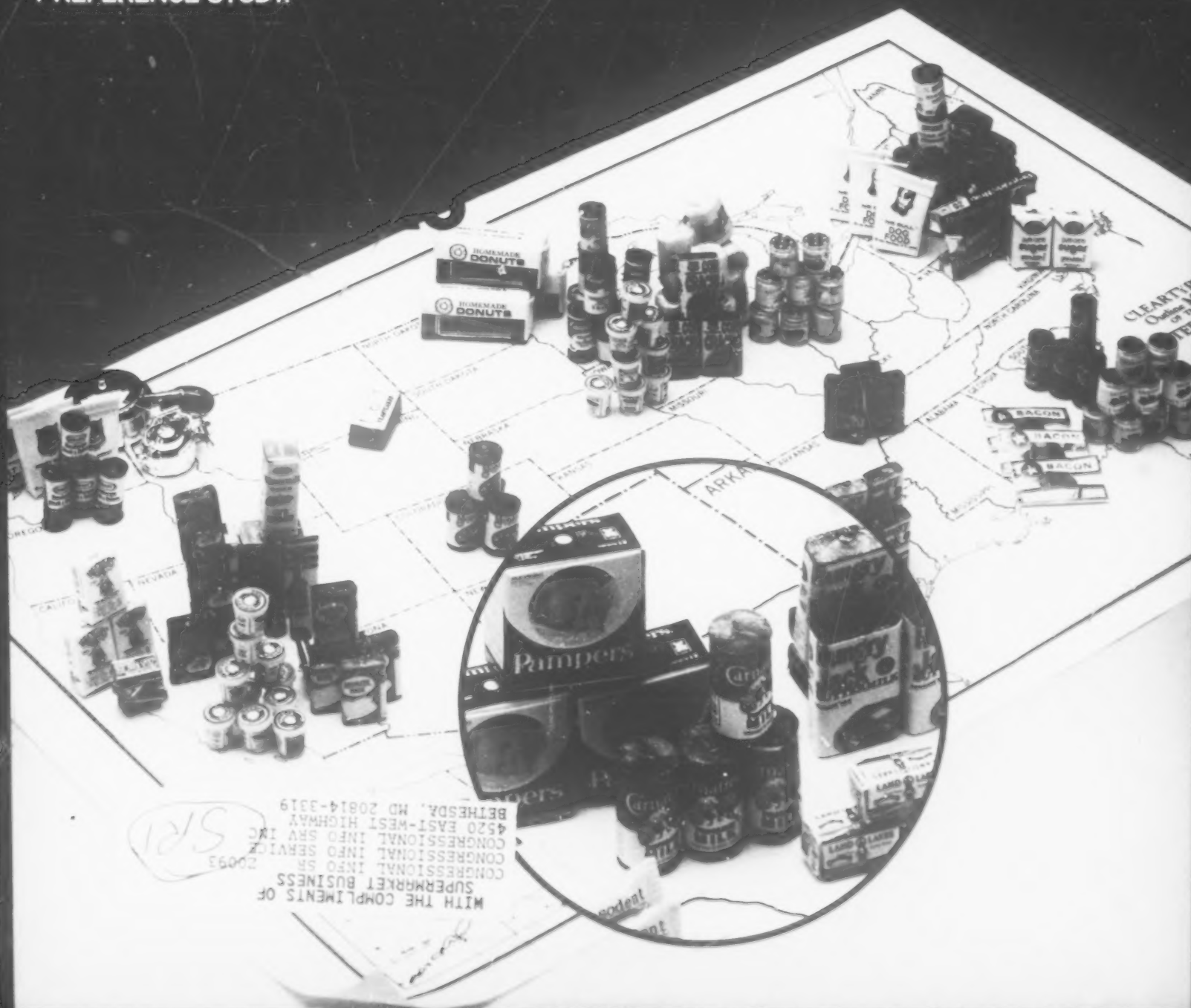
What begins as a simple discussion of cards will lead you and your company along a strategic path that may influence the future success of your company. The moral: Don't make decisions based on this year's requirements. Try to project the future before finalizing your short-term strategies. ■

SUPERMARKET BUSINESS

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PREFERENCE STUDY:

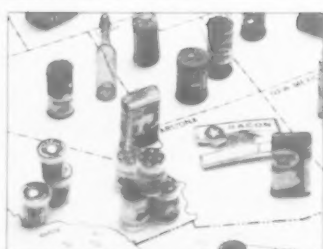


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TAMING TIME: COMPUTER PROGRAMS FOR SCHEDULING EMPLOYEE HOURS

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DAVID LITWAK

Automated systems for the complex tasks of scheduling employee hours and tracking time and attendance are becoming a necessity.

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GLORIOSKY, YEAR 2000!



By Ken Parich,
Editor-in-Chief

In January, in this space, I explained why I could not write about the '90s. John Naisbitt & Patricia Aburdene have no such problem. Their latest sally goes forth into Year 2000. I am certainly glad I didn't try to compete with the "Ten New Directions for the 1990's" as seen by the megaseers.

I just finished reading *Megatrends 2000*, by John Naisbitt & Patricia Aburdene, and like Little Orphan Annie, I can hardly wait for tomorrow. I feel like singing: Tomorrow, Tomorrow! I love ya, Tomorrow! I can't wait to be 10 years older, and glide into the wonderful Year 2000 when everything will be just wonderful. Gloriosky, Tomorrow!

Megatrends 2000 reads like one of those breathless television commercials that promises you those wonderful bargains on those wonderful things that you can't buy in stores, and every new, wonderful announcement is followed by the promise—"There's more."

Let's take a look at the first of 10 millennial megatrends for the 21st century: "The Booming Global Economy of the 1990s."

There will be doomsayers, of course, the authors warn, but that's just the pessimism of the nasty media. After all, didn't they run all those terribly negative stories during the Great Expansion of the Reagan Era after 1982, they ask? Yes, we might answer, since it followed one of the worst recessions since the Great Depression. Or perhaps there was no rustbelt in the Midwest. Perhaps it was my imagination, but I believe I read the other day that General Motors would not go away, it would simply be owned and operated by Japanese management. Probably just another one of those negative media stories.

But there's more. Worried about the energy crisis? There is no energy crisis and won't be any to impede the global boom of the 1990s. There is not only more oil available, according to Naisbitt,

but we're using less every year. Then why is my oil-heating bill soaring this winter?

And that's not all. Worried about the so-called trade deficit? Forget it. There is no trade deficit. What's more, there is no domestic budget deficit worth worrying about. Naisbitt quotes Milton Friedman, the Nobel prizewinner in economics, to prove it. Isn't it amazing that the budget deficit of \$60 billion that we had with

I can't wait to catch the new Naisbitt act on the food industry convention circuit, skipping along into the Year 2000, happy, happy, happy.

Jimmy Carter was taking us to the poorhouse, but now we find that a deficit of \$150 billion is practically nonexistent—because, according to Friedman, it is such a small fraction of the national income? This piece of information alone is worth the price of Naisbitt's book at \$15.87, discounted from the cover price of \$21.95.

Worried about the arts? Not to worry, there's a boom going on here, too, with plenty of momentum to take us into the year 2000, with a museum on every other corner, and a symphony orchestra in every town. Naisbitt has a barrel of statistics to prove that in the U.S., of A, the arts are more popular than sports, because Americans spend more on arts events than they do on sports events—honest.

And here's other proof: "The arts are a natural, inevitable ally for any successful business," says Rawleigh Warner, Jr., former chairman and CEO of Mobil. "We sense in the arts that same search for an ideal of quality and excellence that imbues many of our business decisions."

Prediction: Corporate sponsorship of sports will plateau, while arts sponsorship continues to grow dramatically throughout the next decade.

Reason: Sponsoring the arts is inexpensive. "... as the cost of such other business-sponsored programs as rock concerts and sporting events increases, arts activities at all levels will become recognized as the best buy for the money." Any questions?

Nowhere in all this happy talk, and Dr. Feelgood prognostication, is there any discussion of the problems of public education, black poverty (except to say that the educated blacks are moving into the middle class), the homeless, the drug problem, or teenage pregnancy. It is magic time. It is the 21st century. All our problems have melted into the past. It is the best of all possible worlds. No nasty, negative news media here.

But there's still more. There's the making of more happy statistics. Take these: "In 1988, 55,483 new book titles and editions were published in the United States, compared to about 41,000 in 1977 ... Bookstores in shopping malls make it easier to buy books than it was twenty years ago."

But in case you were wondering where all those writers came from, consider this statistic: "Publishers, who have little trouble finding authors as it is, need not worry where the next wave of writers will come from. More than 200 institutions offer Masters of Fine Arts degrees or doctorates, compared with a dozen twelve years ago." I was not aware that writers emanated from Master's Degree programs in Fine Arts in any regular numbers, any more than do painters or musicians.

I worry more about those suburban bookstores in the nation's shopping malls, where I could not find this book, and where the clerk had never heard of Richard Condon, author of *The Manchurian Candidate*, *Prizzi's Honor* and a new book on the Reagan years.

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BPA ABP

TRADE SCAN



January Contestants Win VCRs as Prizes

Our two lucky winners are John Darrow, owner of Darrow's Country Market (Baraboo, Wis.) and Bruce Kaye, merchandiser for First National Supermarket's 12-store Edward's Food Warehouse division (Windsor Locks, Conn.). Each will receive a VCR.

Darrow has been reading SB for about 6 years. "This is the third time I've entered the contest," he says. "I read the magazine every month, and I really enjoy finding the answers to the contest."

As owner, Darrow is responsible for entire store operations. The supermarket business has been a part of Darrow's life for a long time. He has been involved in the business, which his father started in 1945, since 1961.

Darrow says that he gains an enormous amount of knowledge from reading all the articles.

"I particularly like the deli articles," he says. "We have

gotten a lot of ideas on how to merchandise items in our hot and cold deli.

"We even bought new European-style cases, which caused our deli sales to increase. SB helps me with making decisions like that."

Our other winner, Bruce Kaye, is a relatively new SB reader and monthly contestant. He can't claim beginner's luck—he had been reading SB for six months and entering its contest for three months before winning—but his continuing efforts paid off. "I read SB every month,"

Kaye says, "mostly to look at new merchandising concepts." Along with the visual information packed into the large photos, he considers SB articles profiling leading stores around the country interesting to read.

The March contest, whose winners will receive a spin/fly fishing travel set, appears on page 103. Correct entries for January appear on page 102.

April 'Food Fight' Planned By American Cancer Society

Since the unveiling of its HeartGuide program, the American Heart Association has born the slings and arrows of outrageous fortune, as critics have lined up to blast the previously untouchable charity.

Simultaneously, the group has been enjoying the outrageous fortune gleaned from participation fees retailers pay.

Meanwhile, quietly, the American Cancer Society has been organizing its own nutritional effort, dubbed the "Great American Food Fight Against Cancer," to be held April 19.

Based on the Great American Smoke Out, the Food Fight is largely an educational effort to teach consumers the relationship between food and cancer.

That relationship is murky, at best, and less well established than the link between diet and heart disease. Experts frequently disagree about whether diet can substantially lower the cancer risks.

But experts do agree that a healthy diet does help the body fight diseases, including cancers. And events like the Food Fight aren't likely to draw the heated response that has plagued the AHA effort.

Food associations, including the Produce Marketing Association and the National Grocers Association, are backing the program. The Cancer Society is lining up

supermarkets that want to participate in events and demonstrations scheduled as part of the Food Fight activities.

Marketers More Cautious on New Introductions

Marketers are approaching the new product arena with increasing caution, according to a new study.

"The explosive growth in the numbers of new products that occurred in the mid-80s is over," says Richard Lawrence, president of Marketing Intelligence Service, Ltd. (Naples, N.Y.).

"The average number of stock keeping units per introduction declined," says Lawrence. "Two-thirds of introductions were line extensions." But the "small proportion of products that are really new grew in 1989 for the second straight year."

FDA: Tofu an Un-Health Food?

Is the newest threat to the nation's food supply tofu? What has been imported from the Orient to boost the health of consumers in the U.S. may contain a contamination threat. Recently Arthur Mio, national sales manager of Morinaga Nutritional Foods (Los Angeles), a producer of aseptically packaged tofu, sent a letter to Gordon Bennett, president of the Soyfoods Association of America, criticizing the group's stand on tofu safety.

It said, in part, that "the Soyfoods Association and its member firms still fail to comprehend the gravity of the (United States Food and Drug Administration's) findings."

The letter continues, "The U.S. Food and Drug Administration has classified tofu ... as a 'potentially hazardous food' ... Every potentially dangerous food must be kept refrigerated at 45 degrees (Fahrenheit) or below in food stores ... Therefore most of the tofu in America is now sold in violation of federal and state laws."

First Milk, Beef, Pork, and Fish, and Now ... Horseradish

Taking a cue from other industries that have banded together to promote industry sales and viewpoints, an association of a different color has been formed. The Horseradish Information Council will spur sales of commercially processed horseradish on a year-round basis, the industry believes.

"Loyalists already consider horseradish a kitchen staple," says Wendell Christoff, of C.J. Christoff & Sons and Seminole Foods Inc., chairman of the recently-formed council. "Our goal is to teach others how to use the product more effectively and generate more consumer demand."

The council's recipe book

let, "Root for Flavor," suggests using the condiment "in everything from omelets and Bloody Marys to pizza and baked flounder." The council is also gearing its promotional efforts to retailers and food service companies.

Close Encounters: A UFO Letter

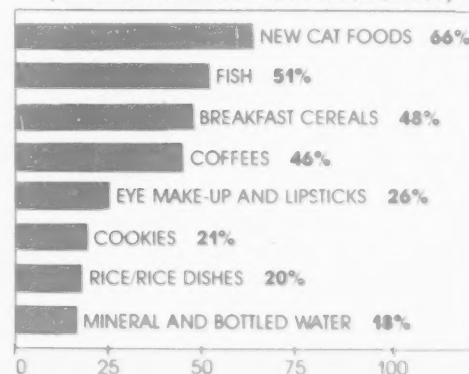
Dear SUPERMARKET BUSINESS:

Where can I find a wheelbarrow like the one on page 27 in the February issue?

U.F.O.

Your Unidentified Food/Nontfood Observer (UFO)

NEW PRODUCT INTRODUCTIONS (PERCENT INCREASE FROM 1988 TO 1989)



Although the total number of packaged goods introductions only grew by 1.5 percent between 1988 and 1989, some product categories showed much sharper increases.

NEW TECHNIQUES FOR TARGETING CUSTOMERS

**People in different geographical areas
have distinct, measurable purchasing habits.
This report will show you how to identify—
and take advantage of—the profile
of your store's shoppers.**

PREPARED BY
ROBERT DIETRICH

■ "Shoppers—what do they want?" Our variation on Shaw's query about women eludes an easy answer, even in this day when a tap on the PC can often elicit up-to-the-microsecond data from a store's POS monitors.

Product movement data are abundant, but too often are difficult to relate to the day-to-day operational problems that confound every level of supermarket management. Our answer? More data, naturally enough, but data for which we claim two differences:

(1) This report is the most comprehensive attempt ever published to link "geodemographic" analysis (we'll get to that one in a minute) to over 300 product categories sold in supermarkets.

(2) The method of presentation used here makes it easy for the reader first to identify which of 10 "cluster groups" (also explained below) most resembles his or her own store's customer base, and then to compare whether the customers living in the store's trading area are above or below average in their usage of each product category.

Continued on page 29

NOTE TO READERS

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TARGETING YOUR TRADING AREA

IDENTIFY YOUR OWN TRADING AREA(S)

Based on the characteristics of the people who live there, every ZIP code in the U.S. has been assigned by ClusterPlus to one of the 47 subgroups shown below. For easier comparisons of product usage patterns, these subgroups are classified into 10 major groups. A quick scan of the demographic characteristics that

typify each of the 10 major groups will help you select the one (or more than one, if appropriate) that most closely describes your store's trading area. As an extra clue, some of the products for which consumers show above-average or below-average usage are also shown. At the top of the chart, there's room for

Check the major group (or more than one group, if appropriate) that best describes your trading area. If you would like confirmation of how your ZIP code is actually classified by ClusterPlus, you can obtain that data, free of charge. See page 29.	1	2	3	4
Major Group	Highly Educated, High Income, Suburban Professionals	Urban, Mobile Professionals Above Average Income	Above Average Income, Homeowners, White Collar Families	Above Average Income, Older, White Collar Workers
Subgroups	- Established wealthy - Mobile wealthy with kids - Young affluent with kids - Suburban families with teens - Established affluent	- Affluent urban singles - Young professionals - Urban retirees and professionals	- Non-urban working couples with kids - Small town families - Urban working families	- Older mobile well educated - Older small town households - Older non-mobile urban households
DEMOGRAPHICS (U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)
Income, Household Median—\$31,730 Over \$50,000—22.6%	\$55,175 (+74%) 58.4% (+159%)	\$38,318 (+21%) 31.3% (+39%)	\$40,091 (+26%) 29.5% (+31%)	\$33,665 (+6%) 24.1% (+7%)
Education Graduated college—17.5% Did not graduate high school—25.5%	39.4% (+124%) 9.0% (-65%)	30.1% (+72%) 13.5% (-47%)	18.6% (+6%) 18.1% (-29%)	23.1% (+32%) 18.1% (-29%)
Age Median—40.4 years Over 65—15.9%	41.8 (+3%) 12.6% (-20%)	38.2 (-5%) 13.3% (-16%)	40.8 (+1%) 13.3 (-16%)	44.6 (+10%) 20.6% (+30%)
Occupation Professional/managerial—16.7% Blue collar—7.8%	32.3% (+93%) 4.1% (-48%)	28.5% (+70%) 6.2% (-20%)	19.6% (+17%) 7.8% (-)	18.7% (+12%) 7.5% (-3%)
Working women Full or part time—54.1%	59.0% (+9%)	64.5% (+19%)	63.4% (+17%)	54.2% (-)
Race Blacks—11.0%	2.7% (-75%)	8.9% (-19%)	6.8% (-38%)	6.2% (-44%)
Location Central city—35.5% Suburban—41.3% Rural (Non MSA)—23.2%	30.7% (-14%) 67.8% (+64%) (Too small to compute.)	55.2% (+55%) 40.6% (-2%) (Too small to compute.)	32.7% (-8%) 57.7% (+40%) 9.6% (-59%)	42.2% (+19%) 39.3% (-5%) 18.5% (-20%)
Children in household One or more—41.1% Under age 2—7.9%	38.2% (-7%) 6.0% (-25%)	27.0% (-35%) 5.2% (-35%)	42.1% (+2%) 6.9% (-13%)	32.4% (-21%) 7.0% (-12%)
Regional Density Above average Below average	Northeast, West South, North Central	Northeast, West South, North Central	Northeast, West North Central, South	Northeast South
Home Ownership Live in owned home—67.9%	80.4% (+18%)	46.8% (-31%)	77.1% (+14%)	77.0% (+13%)
DEPARTMENTS/PRODUCT CATEGORIES Above Average Usage	Diet cola English muffins Wine Fresh fruit Yogurt Pet products Film Cosmetics Suntan/sunscreen products Vitamins	Wine Imported beer Butter Moist cat food Film Self-stick notes Books Disposable razors, women's Cotton swabs Soft contact lens products	Iced tea mixes Frozen main courses, entrees Frozen vegetables, plain Ice cream novelties Cheese, natural/imported Facial tissues Glass cleaners Tampons Lip balm Vitamins	Canned pasta Frozen vegetables, prepared Yogurt Cottage cheese Insecticides, outdoor Greeting cards Metal polish Soap, personal care, bar, women's Suntan/sunscreen products Indigestion aids
Below Average Usage	Non-diet cola Candy Canned vegetables Catsup Mayonnaise Salt American cheese Auto supplies Denture products Pain-relieving rubs/liquids	Cold breakfast cereals Baby foods and HBA Coffee, ground Coffee, instant Corn chips Canned fruit Frozen foods Ice cream Laundry supplies Auto supplies	Rice Bacon Salt Disposable diapers Scouring powder Disposable lighters Mascara Hair care, women's Mouthwash Laxatives	Corn chips Whipped topping Seasonings/spices Ice cream novelties Dough products, refrigerated Frozen Disposable diapers Aluminum foil Carpet cleaners Insecticides, indoor Nail polish

TARGETING YOUR TRADING AREA

you to check the box or boxes of the classification that most closely describes your own trading area. Then, as you read through the data for the more than 300 product categories in this report, you'll be able to note the typical consumption patterns for people who most closely resemble your own customers.

5	6	7	8	9	10
Younger, Highly Mobile, Above Average Income	Younger, Mobile, Below Average Income, Fewer Children	Average Income, Blue Collar Families, Primarily Rural	Below Average Income, Older, Few Children	Less Educated, Low Income, Rural, Blue Collar Workers	Very Low Income, Urban Blacks, Apartment Dwellers
Highly mobile young families Highly mobile working couples Young couples with kids Young ex-urban families	- Young urban educated singles - Group quarters - Young urban ethnics - Young mobile apt. dwellers - Small town apt. dwellers	- Rural families with kids - Low mobility rural families - Average income families in single units - Mobile less educated families - Middle income Hispanics - Average income blue collar families	- Older below average income homeowners - Old rural retirees - Older urban ethnics - Older low income couples - Low income single retirees - Stable blue collar workers - Low income blue collar workers	- Low income farmers - Rural blue collar workers - Rural manufacturing workers - Southern low income workers - Low income black families	- Lowest income urban retirees - Lowest income retirees, old homes - Center city blacks - Lowest income urban blacks - Lowest income Hispanics - Lowest income black female-headed families
(U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)	(Vs. U.S. Total)
20 (+25%) 6 (+42%)	\$25,024 (-21%) 13.6% (-40%)	\$28,697 (-10%) 16.1% (-29%)	\$25,436 (-20%) 11.8% (-48%)	\$21,493 (-32%) 6.7% (-70%)	\$18,237 (-43%) 6.3% (-72%)
6 (+14%) 6 (-36%)	19.1% (+9%) 26.1% (+3%)	10.1% (-43%) 29.5% (+16%)	10.0% (-43%) 32.6% (+28%)	6.6% (-62%) 44.3% (+74%)	10.7% (-39%) 42.9% (+69%)
6 (-6%) 6 (-56%)	34.8 (-14%) 13.6 (-14%)	38.0 (-6%) 12.2% (-23%)	44.5 (+10%) 24.6% (+55%)	44.5 (+10%) 21.4% (+35%)	40.8 (+1%) 20.1 (+27%)
6 (+32%) 6 (+12%)	15.4% (-8%) 9.4% (+21%)	12.6% (-25%) 9.7% (+25%)	10.7% (-36%) 8.3% (+7%)	7.2% (-57%) 7.1% (-9%)	7.3% (-57%) 6.0% (-23%)
6 (+17%)	56.9% (+5%)	54.2% (-)	46.6% (-14%)	39.8% (-26%)	43.9% (-19%)
6 (-30%)	6.8% (-39%)	9.7% (-12%)	4.1% (-62%)	23.5% (+114%)	51.3% (+367%)
6 (-13%) 6 (+40%) 6 (-51%)	46.9% (+32%) 30.6% (-26%) 22.4% (-3%)	34.0% (-4%) 43.7% (+6%) 22.3% (-4%)	30.9% (-13%) 29.0% (-30%) 40.1% (+73%)	12.8% (-64%) 20.2% (-51%) 67.0% (+190%)	73.4% (+106%) 14.6% (-65%) 12.1% (-48%)
6 (+27%) 6 (+12%)	32.7% (-21%) 7.3% (-8%)	47.8% (+16%) 9.6% (+21%)	37.9% (-8%) 7.8% (-1%)	45.2% (+10%) 9.0% (+14%)	42.5% (+3%) 10.1% (+27%)
West	West Northeast, South	South Northeast	Northeast, North Central West	South West, Northeast	Northeast West
6 (+12%)	45.2% (-33%)	67.0% (-1%)	70.0% (+3%)	75.9% (+12%)	33.3% (-51%)
Fast-food/snack/nutritional foods and HBA chips can foods plastic product dry supplies products tapes, purchase bons polish	Yogurt Disposable diapers Canned cat food Cat litter Shampoo, women's Razors, disposable, women's Dental floss Lip balm Hair conditioners, women's Hair conditioners, men's	Baby foods and HBA Disposable diapers Powdered soft drinks Catsup Mustard Pickles American cheese Milk Pet products Auto supplies	Gelatin desserts Whipped topping Dishwasher detergents, liquid Moist dog food Cigarettes Mascara Hair spray, women's Denture products Diarrhea remedies Laxatives	Regular cola Potato chips Flour Shortening Sugar Bacon Frankfurters Cigarettes Denture products Remedies	Candy Evaporated milk Catsup Rice Bacon Aluminum foil Air fresheners/sprays Nail polish Hair conditioning treatments, women's Hair conditioning treatments, men's
High products, refig./ washer detergents, add pet cleaners ring pads e permanents ure products y powder lives	Baked goods Ground coffee Puddings/pie fillings Bottled sauces Spaghetti sauce Salad dressing Paper/plastic products Laundry supplies Household cleaners Batteries	Frozen vegetables, plain Frozen vegetables, prepared Yogurt Disposable wipes Metal polish Facial cleansers, women's Hair conditioning treatments, women's Dental floss Lip balm Soft contact lens products	Frozen main courses/ entrees Frozen french toast/ pancakes Cheese snacks Cheese, natural/imported Automatic dishwasher detergent Glass cleaners Floor wax/polish Canned cat food Lipstick/lip gloss Self-stick notes	Diet cola Wine English muffins Bagels Yogurt Light bulbs Film Nail polish Vitamins Soft contact lens products	Ground coffee Canned soup Fresh fruit Frozen foods Sour cream Plastic kitchen wrap Pet supplies Auto supplies Microwave cookware Video tapes, rental

How to Match Product Performance To Your Store's Potential

■ The table shown here is typical of the format used to report on the supermarket departments and product categories included in this report. The statistics for each product category are based on Mediamark's projections to the total U.S., or what you might think of as the "national average."

Interesting stuff—but, of course, your trading area and the tastes and needs of your customers are a unique mix. Every one of these tables is designed to show you just how your customers differ from the national average, buying lots more of one particular product category than people living elsewhere, while giving a virtual cold shoulder to another product category.

This is both accessible and actionable data, and there are some pointers on the opposite page suggesting some actions you can take based on your customer's predisposition toward or against a category. But first, take a minute or so to review just what the various elements of each table mean:

(A) The various product categories have been grouped into classes that can be recognized as roughly equivalent to standard supermarket departments. The base group is the one that was surveyed by Mediamark (Adults, Men, Women, Female Homemakers) because it represents the acknowledged consuming constituency for the category.

(B) Unless otherwise indicated, the percentage of the base group who qualify as users is shown. For product categories in this report, the relevant usage period cited in the MRI questionnaire may range from as little as the most recent seven days for a high-frequency-of-usage product, to as much as six months or a year for low-frequency products. The designation "(HU)" next to the category name denotes heavy users. It's

OILS/DRESSINGS/ CONDIMENTS (BASE = FEMALE HOMEMAKERS) (A)	PERCENT WHO USE (B) (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.) (C)									
		1	2	3	4	5	6	7	8	9	10
(D) Average	+	-11	-27	+3	-6	+6	-20	+21	-9	+13	+12
Catsup (HU)	9.2	-59	-48	-9	-32	+7	-30	+50	-13	+39	+66
Mayonnaise/Mayo-Type Salad Dressing (HU)	9.3	-24	-29	-8	-2	+10	-17	+9	-16	+29	+47
Mustard (HU)	9.2	+15	-32	+18	-9	-5	-14	+27	-24	-1	+9
Oil, Salad or Cooking (HU)	16.7	-16	-29	+3	+6	+4	-22	+11	-6	+18	+15
Pickles (HU)	9.1	-16	-38	-6	-9	+4	-27	+40	-2	+25	-24
Pickle Relish	34.6	+4	-11	+11	-	+9	-8	+3	-4	-11	-2
Salad Dressing (HU)	28.1	+17	-3	+14	+3	+11	-24	+4	-1	-9	-28

important to break out heavy users for many of the products that supermarkets sell for two reasons:

(1) Heavy users typically account for 80% or more of tonnage, so they are critical to any category's prospects, and

(2) they eliminate the lack of usage discrimination between groups that is found in categories that are universally used by every geodemographic group, e.g. toilet paper.

(C) Data are broken out in this report for 10 major geodemographic groups based on Cluster-PLUS classifications. On pages 22-23, a detailed demographic breakout is given for each of the 10 groups so that you can easily identify the one (or perhaps more) that best describes the people who live in your immediate trading area. Keep this group in mind as you read the report, so you can

study the extent to which your customers are more or less likely to consume a certain product category.

(D) It's important to know the relative overall interest of your customers in an individual department, in addition to the various product categories that make up that department. The chart shown here is a simple average of the percentage plus or minus performance of the categories that are included. In this example, Group 7 (+21%) shows the highest average interest in the categories that make up the Oils/Dressings/Condiments department. But Group 2 shows interest that is 27% below average. Clearly a store manager operating in a Group 7-type trading area (Average Income, Blue Collar, Families, Primarily Rural) should approach this department with priorities that are distinctly different from a

manager in a Group 2-type trading area (Urban, Mobile Professionals, Above Average Income).

(E) Most front-line, day-to-day decisions need to be based on your customers' commitment to an individual product category. Nationally, 9.8% of female homemakers are heavy users of mayonnaise or mayo-type salad dressings. But operators in Group 10-type areas (Very Low Income, Urban Blacks, Apartment Dwellers) can expect 14.4% of their customers to be heavy users (+47%), while the incidence drops in Group 1 areas (Highly Educated, High Income, Suburban Professionals) to only 7.4% (-24%). With roughly twice as many heavy users of mayonnaise as Group 1 managers face, Group 10 managers obviously have to make special accommodations that reflect the category's relatively high appeal.

Some Definitions

Product User: To qualify as a user of a particular product category, a person must have used a product in that category within the relevant time period as defined by the Mediamark questionnaire. The qualifying period may be as small as the most recent seven days for a high-frequency product, or as much as six months or a year for low-frequency products.

Heavy Users: Users of a product category are arrayed into heavy, medium and light users, according to the frequency with which they used the product in the relevant period. While heavy users account for a minority of all users, they usually account for a strong majority of product "tonnage." Because of their more skewed demographic profiles, they provide valuable insight into target marketing.

Base Group: Those identified by Mediamark together with the marketers and advertisers who use its statistics, as the primary users of a particular product category. Four base groups are shown.

Adults: Those age 18 and over where both men and women purchase the product for personal use (e.g., toothpaste).

Men/Women: Again, those age 18 and over, but where products (primarily health and beauty aids) are used by sex.

Female Homemakers: The homemaker is the person designated as the one who does most of the shopping for groceries and household items. Products purchased for the household are based on female homemakers. (Mediamark also publishes data on usage by male homemakers.)

Geodemographic Data: A New Tool To Help Solve Old Problems

■ For better or worse, your store—and the people who shop there—are unique. The point at which many store managers fully realize the implications of this observation is when they become responsible for a store in a different location. Suddenly they observe softer sales of bagels and stronger sales of disposable diapers—or the other way around. What gives?

Framed in terms appropriate to the format of this report, the answer is simply that they've moved to a store with a different "geodemographic" composition. Different strokes for different folks, you know—and don't forget different shopping lists, too.

The new location needn't necessarily be physically far away, as a drive across a typical town could easily take you through the turf of three or more geodemographic groups in 20 minutes. The boundaries are invisible, but the differences in the ways people in the

different geodemographic clusters eat, drink, take care of their health, feed their pets, clean their houses, etc., are palpable—and of critical concern to supermarkets that serve them.

This report details for the first time the differences in buying habits for individual product categories sold in the supermarket by 10 major geodemographic groups. Who can use this data? Who needs to use this data to beat the competition?

The answer is just about anybody involved in any aspect of marketing or selling the products that are distributed through supermarkets. This includes the manufacturers and processors who need to know where they can most productively concentrate their advertising and promotional efforts, where it's most vital to win warehouse and shelf space, and where gaining authorization for in-store displays and weekly advertisements will pay off best.

No less interested, of course, are the executives at chain and wholesaler warehouses who are responsible for a wide range of decisions that ultimately affect the positioning and attention that each product category gets at store level. The more data these decision-makers have as to the relative strength of each product category by store—based on each store's geodemographic profile—the more effective their decisions will be.

At the store level, both store managers and managers of individual departments will find a wide range of applications for these data. While instinctively realizing that their mix of customers is different from that in other stores they visit (older or young, richer or poorer, professional or blue collar, etc.), they've never been sure just how profoundly these differences affect category-by-category sales. By reviewing this report, they will

now have the tools to relate the characteristics of their customer base with what those customers like to buy in a supermarket.

While the applications are virtually unlimited in every part of the store and for every type of managerial decision, here are a few areas in which this new geodemographic data will prove especially useful:

- Placing departments in traffic flow.
- Allocating relative space by department.
- Allocating relative space by product category.
- New item authorization.
- Number of brands carried per category.
- Number of items carried per brand.
- Number of facings per item or category.
- Space in weekly store ad.
- In-store display authorization.
- In-store sampling.

Linking Two Powerhouse Research Sources To Give New Insight Into Product Usage Patterns

Mediamark: Projecting 20,000 Households Into a Portrait of America's Purchasing and Media Habits

The database of Mediamark Research Inc. (MRI) is the source of the product usage projections shown in this report. Over 700 companies subscribe annually to Mediamark's syndicated reports. They use the data primarily to support the placement of advertising through target marketing, for user profiles, and for geodemographic and lifestyle analyses.

Subscribers include advertisers and their agencies, as well as magazines and broadcast companies. Among the subscribers whose names are familiar to both supermarket shoppers and executives are Campbell Soup Company, Kraft General Foods and The Procter & Gamble Co.

MRI data are derived from an annual national probability survey of 20,000 individuals who participate in both personal and self-administered surveys that cover the demographics, product usage and media exposure of all persons 18 and over.

Statistics are compiled on 3,500 product categories and services, and 5,700 individual brands. Basic product usage and media

data are published annually in 20 volumes.

Sylvia Cassel, senior vice president, administration, says, "Many of our subscribers find added value in MRI data through a linkage to one of the several geodemographic systems, such as ClusterPLUS, that are accessible from our databank."

Users of such linked data must, of course, also be subscribers to the clustering system they want to access. They can then tap into the database through MRI's PC-based MEMRI™ system, or through online access. "Merged with Mediamark media and product data," Cassel says, "these geodemographic systems provide a method of making media and product usage projections, as measured by MRI, for the lifestyle/demographic segments described by the cluster system. Direct mail uses, local market projections and site selections are common applications."

To find out more about the categories mentioned in this report, or about Mediamark services in general, contact: Sylvia Cassel, Mediamark Research Inc., 708 Third Avenue, New York, NY 10017, Tel. (212) 599-0444

ClusterPLUS: Defining 47 Geodemographic Clusters to Predict What People Buy Based on Where They Live

ClusterPLUS is a geodemographic system offered by Donnelley Marketing Information Services, Stamford, Connecticut.

The system categorizes small geographic areas based on the idea that "birds of a feather flock together." Put another way, people who live in the same neighborhood tend to have many similar behavioral characteristics.

"The combination of such factors as income, presence of children, and age creates lifestyles that predispose individuals to purchase certain goods and services," says Julie Brierly, marketing manager for ClusterPLUS.

Based on updated census data and current year demographics, and developed through a proved statistical methodology that incorporates over 1,600 demographic variables, ClusterPLUS identifies 47 unique clusters. Based on shared characteristics, these 47 clusters are grouped into 10 multi-factor cluster groupings that are used in this SUPERMARKET BUSINESS report.

With geodemographic targeting finding an ever-wider variety of applications, ClusterPLUS is

gaining in popularity as a marketing tool, according to Brierly. Some typical uses include: defining marketing targets; profiling customers; evaluating sites; locating test markets; developing media plans; evaluating advertising effectiveness; and developing direct marketing strategies. Several supermarket companies use the ClusterPLUS serviced for their site selection programs.

"Many of our subscribers enhance the value of the ClusterPLUS data," says Brierly, "by combining it with product usage and media data such as that provided by MRI. But the SUPERMARKET BUSINESS study is the largest-scale application I'm aware of."

Note: To help SUPERMARKET BUSINESS readers apply the data in this study to their own retail locations, ClusterPLUS is generously offering to identify in which of the 10 groups a store's ZIP code is classified. See page 29.

Further information about the various marketing problems that can be solved by ClusterPLUS can be obtained from: Julie Brierly, Marketing Manager, ClusterPLUS, Donnelley Marketing, P.O. Box 10250, Stamford, CT 06904, Tel.: (203) 353-7474

Product categories, like groups of people, have their own individual "fingerprints." Matching the two sets of fingerprints can help maximize store sales.

Continued from page 29

A definition to live with

What is "geodemographics?" The word is simply a combination of "geography" with "demography," and it is used to characterize consumer behavior patterns. The geographic unit that's defined according to its demographic characteristics is typically called a "cluster"; but what it really is is a neighborhood, one in which people tend to share the same characteristics, such as levels of income and education, age, kinds of professions, presence of children, and lifestyles. Typically, the cluster is synonymous with a ZIP Code, but other definitions are sometimes used.

Most of the people who patronize your supermarket are likely to live fairly close to your store. Thus, they share the same "geo" element, and—because people tend to like to live near people who resemble themselves—they also share the same "demographics." So your store's trading area can be said to have a unique demographic "fingerprint."

But how does knowing this help predict what they buy more or less of compared to people in other trading areas with quite different geodemographic fingerprints? The answer is that market research has long quantified the strong correlation between demographics and product purchase patterns. Looked at most simplistically, for example, demographically targeted marketing plans for disposable diapers and for dentifrices would be expected to have little overlap. So every product category sold in the supermarket has its own indi-

vidual demographic "fingerprint," too.

Matching up

Obviously, making a match between the two sets of fingerprints can help maximize store sales.

First, you need to know what the usage patterns of the type of people living in your trading area are on a category-by-category basis. Then you must match these needs with the usage profiles of each product category.

You can then identify all the categories whose biggest fans are the types of people who live near your store, and turn the promotional gas up under them. You can even give them more shelf space at the expense of categories in which your type of customer shows only soft, below-average interest.

Prior to the publication of this report, such valuable and actionable data was rarely, if ever, available to supermarket retailers, particularly at the store level. But thanks to the cooperation of two of the leading market research organizations in the U.S., any supermarket operator can improve sales performance by making a better match between customer mix and merchandise mix.

The multidimensional profile that emerges here is made possible by linking the resources of Mediamark Research Inc., the largest consumer database in America, with ClusterPLUS, the most powerful and precise demographic targeting system. (See the company profiles on pp. 24-25.)

Match the match

ClusterPLUS finely tunes its classifications into 47 clusters, a degree of detail that is beyond the scope of presentation or comprehension for a published study such as this one. Based on

shared characteristics, however, these 47 clusters have been combined into 10 major geodemographic groups. These 10 groups are the basis of this report.

The descriptions of the 10 groups on pages 22-23 allow a comparison over a wide range of demographic factors. From these, readers can decide which of the 10 groups most closely approximates (we don't expect a glove fit here) their store's trading area.

Taking these 10 groups as individual bases, Mediamark then ran the product usage data for 20,000 respondents. The results are reported by individual product categories which are further grouped into departments.

As you compare the category-by-category statistics reported for your trading area's equivalent group with what you observe in your day-to-day experience, your reaction may vary from "Yes, they do buy more of that! Maybe I should give that category more attention in our store-wide promotion next week," to "Maybe I'm not giving that category enough of a chance," to "No wonder the stuff just sits there. My kind of customer just won't buy it no matter how hard I promote it."

What's the word?

Sounding somewhat like those calendars that try to force-feed a new word every day, we're advocating "geodemographic" for supermarket operators today. Admittedly, it's just a more precise restatement of what successful store operators have always known—you've got to match your product mix to your customer mix. But now you've got the hard figures to help make it happen.

IMPORTANT NOTE TO READERS:

Would you like some confirmation that you have correctly identified which of the 10 groups your trading area belongs to? If so, you just let us know your ZIP code(s)—on company letterhead, please, along with a

stamped return envelope—and we'll pass your request along to ClusterPLUS. They'll zip your ZIP past their computers and let you know which groups correspond to your trading area.

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TARGETING YOUR TRADING AREA

DRY GROCERY (FOOD)

BABY FOODS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average			+ 3		+20	+16	+30			+10
	-	- 8	-55		-17				-22	-11	
Baby Foods	6.6	- 2	-45	+ 6	- 3	+23	+26	+14	-36	- 4	+ 6
Infant Cereal	5.7	-12	-68	+ 5	-15	+28	- 2	+46	-14	-17	-12
Infant Formula, Prepared	5.1	- 9	-53	- 3	-32	+10	+25	+31	-17	-11	+36

Overall, 7.9% of U.S. households have a child under age 2 on the premises, a figure that rises to 9.6% for Group 7 and 10.1% for Group 10. Stores in both of these trading areas are obviously prime candidates for expanded Baby Foods sections. But the product mix within the section needs to be carefully modulated, with infant cereals showing strong usage among the blue-collar families of Group 7, but not much action among the low-income urban blacks of Group 10. Babies are also abundant in areas where Groups 5 and 6 live.

BEER (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+12		+11							+59
	-		- 6		- 8	- 2	- 2	- 6	-17	-12	
Ale	2.3	+66	+ 3	+13	+21	- 1	+24	-15	-28	-44	-18
Beer, Regular, Domestic (HU)	12.9	-14	+ 3	+ 1	-20	- 3	+ 3	+14	+12	- 7	- 1
Beer, Imported	13.8	+54	+36	+13	- 3	+ 8	+27	-18	-33	-52	+22
Beer, Low-Calorie, Domestic	16.5	+ 8	-10	+24	+ 1	+ 7	+10	- 3	-14	-11	-24
Beer, Low Alcohol	0.9	+ 2	- 2	+17	+ 6	-15	-46	+ 6	- 8	-37	+135
Malt Liquor	2.1	-44	-64	- 3	-55	- 9	-32	-21	-28	+82	+237

(HU) = Heavy Users

The standard flagbearer of this category is, of course, regular domestic beer, which needs a generous space assignment in any store. But a look at demographic preferences can be valuable in deciding how to fill out the section with other varieties that shoppers demand. Imported beers, for example, are purchased with above-average frequency by the high-income professionals who make up Groups 1 and 2. Imports also pull in Group 6, which includes young, urban, educated singles, and in the low-income black urban areas of Group 10. Malt liquor's mostly black constituency is confirmed by its usage in Group 10 at almost 2.5 times the national rate.

BAKED GOODS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+15		+ 9	+ 3	+10		+ 2			
	-		- 9				-15		- 2	-15	- 7
Bread (HU)	19.0	- 8	-30	—	-18	+ 4	-29	+19	+ 5	+ 7	+28
Bread Crumbs/Coating Mixes	35.3	+20	+11	+22	+29	+ 7	-18	- 9	- 4	-34	-13
Cookies, Ready-to-eat (HU)	20.4	- 3	-16	+ 5	+11	+12	-20	- 1	- 6	+11	- 4
Crackers (HU)	29.6	+ 9	-18	—	- 7	+15	-16	+ 8	- 2	- 2	- 6
English Muffins	46.0	+35	+11	+20	+20	+ 8	-10	- 7	- 7	-43	-18
Snack Cakes (HU)	13.7	-32	-39	- 6	-25	- 4	-16	+27	+21	+24	—
Stuffing Mixes/Products	34.4	+ 4	-17	+12	+12	+ 5	-15	+ 9	- 6	-12	- 6

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-33.

Almost every Baked Goods category shows wide swings in consumption across the 10 Groups. Overall, however, stores operating in locations whose trading area is populated by the younger, higher-income types of Group 5 should show the best overall reception for Baked Goods. Both cookies and crackers are strong favorites with this mostly suburban-based population.

A taste for English muffins seems to be acquired simultaneously with money. Where income is above average—Groups 1 through 5—so is consumption of English muffins. Bagels seem to operate on the same principle, as do croissants. So operators in any of these areas need to assign significantly more shelf space to these three categories than those operating in less affluent neighborhoods.

TARGETING YOUR TRADING AREA

BAKED GOODS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Sweet Rolls/Pastries, Ready-to-eat (HU)	20.7	- 8	-21	+ 7	+ 3	- 9	- 5	+ 3	+ 1	+13	+ 3
Bagels	20.0	+66	+26	+20	+21	+ 9	-16	-10	-11	-71	- 5
Croissants/Crescent Rolls	9.9	+67	+16	+14	+ 9	+18	-13	-30	- 9	-40	- 4
Garlic Bread	12.6	+ 2	+ 7	-13	+ 2	+10	-17	+27	- 4	- 7	-19
Hamburger/Hot Dog Rolls	52.0	+ 8	-23	- 2	- 2	+19	-15	+ 2	+ 1	+ 8	-24
Kaiser Rolls	7.1	+31	-29	+42	-20	+38	- 6	- 6	- 2	-51	-28

Of greater interest to those with more modest budgets are bread and snack cakes, as typified by the figures shown for the blue-collar families of Group 7.

BREAKFAST FOODS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average			+ 3		+11		+ 9		+ 1	
	-	0	-19		- 7		-11		- 2		- 8
Breakfast Cereals, Cold (HU)	24.7	- 2	-40	+ 6	- 5	+18	- 8	+13	+ 5	- 5	-30
Breakfast Cereals, Hot (HU)	14.3	- 5	-11	- 2	-13	+ 5	+ 1	- 4	+ 7	+22	-20
Breakfast/Snack/Nutritional Bars	19.3	+29	-25	+13	- 3	+39	- 2	+11	-21	-28	-40
Honey	31.7	+23	- 8	+11	-10	+ 8	-11	+ 7	- 6	-20	—
Jams/Jellies (HU)	10.1	-23	-14	+ 2	- 5	- 9	-44	+ 5	+ 3	+30	+61
Pancake/Waffle Mix	45.1	- 2	-17	- 1	- 3	+ 5	-14	+ 9	- 4	+10	+ 4
Peanut Butter	81.8	—	- 8	—	- 2	+ 5	- 8	+ 3	+ 1	+ 7	-12
Table Syrup/Molasses	68.0	+ 2	-12	+ 4	- 3	+10	-13	+ 5	- 1	+ 2	-11
Toaster Products	28.9	-18	-34	- 3	-17	+20	- 3	+31	- 6	+ 6	-20

(HU) = Heavy Users

Breakfast Foods find their heartiest consumers in Group 5, which includes younger families with children. Over half these households have children, and an above-average proportion live in the suburbs. Their usage of cold breakfast cereals is 18% above the national average, and their taste for breakfast/snack/nutritional bars (+39%) is also well developed.

The weakest market for the Breakfast category is the upper income, well-educated urban professionals of Group 2. With relatively few children, and a residence in the central city, they show below average usage of all Breakfast categories, including convenience products such as toaster products.

Cold breakfast cereals make their second-best showing (after Group 5) with the blue-collar families of Group 7.

CANDY (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average				+ 1			+ 7	+ 2	+ 7	+19
	-	-17	-12	0		- 4	- 6				
Candy, Individual, Regular-Size (HU)	17.9	-33	-21	- 7	-16	- 8	+ 8	+10	+ 9	+20	+26
Candy, Individual, Big Block/Thick Bar	12.6	—	+ 8	+ 2	- 6	+ 6	- 5	+ 3	+ 2	-22	+24
Candy, Miniature, Pkg. (HU)	6.9	-13	-34	+ 2	+ 8	+10	-30	—	- 2	+22	+23
Candy, Prepackaged, Loose (HU)	5.0	-38	-18	-21	-12	-27	+15	+21	+ 5	+30	+51
Chewing Gum (HU)	31.8	-10	- 7	+ 3	- 7	+ 6	- 6	+ 3	- 8	+14	+ 8

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full-description of these groups, see pages 22-23.

As income and education rise, sweet teeth appear less in evidence. The highest overall rate of candy consumption is found among the low-income blacks of Group 10 (+19%), with a steady drop to the wealthy professionals of Group 1 (-17%). The only exception in the pattern is found in boxed chocolates, which most people presumably buy to give away rather than to eat themselves.

TARGETING YOUR TRADING AREA

CANDY (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Cough Drops (HU)	11.2	-33	-12	-6	+9	-19	-19	+8	+23	+15	+29
Hard Roll Candy	28.7	-9	-3	+5	-7	+5	-3	+6	-5	+2	+6
Mints (HU)	8.8	-29	-15	+1	+12	-9	-5	+5	+8	+9	+18
Boxed Chocolates*	19.7	+12	-3	+19	+26	-2	-10	+11	-13	-27	-16

(HU) = Heavy Users *Female Homemakers

Hard roll candy shows relatively little variation among the various groups and can be expected to sell as well in one neighborhood as another. By contrast, prepackaged loose candy has little allure in higher-income areas, but is a favorite in those with the lowest income.

CANNED FRUITS/ JUICES/VEGETABLES (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	-3	-24		-5	+12	-16	+5	+3	+9	-8
Beans, Prepared in Sauce (HU)	17.5	-31	-29	-14	-28	-8	-28	+20	+11	+55	+23
Fruit, Canned/Jarred (HU)	14.7	—	-47	+5	-1	+5	-23	+11	+7	+14	-19
Fruit Juices/Drinks, Misc. (HU)	18.4	-1	-34	+5	-21	+27	-28	+5	+4	-3	+20
Grapefruit Juice	22.6	+13	-8	-3	+2	+11	-7	-10	-5	+6	+1
Mushrooms, Canned/Jarred	36.7	+17	-9	+8	-5	+12	-3	+4	+3	-16	-33
Tomatoes, Canned (HU)	18.0	+8	-35	+17	+14	+20	-10	-5	-9	-16	-2
Tomato/Vegetable Juices	37.0	+13	-3	+10	+5	+6	-14	-1	+5	-11	-23
Vegetables, Canned/Jarred (HU)	17.2	-39	-23	+2	-28	+20	-11	+19	+5	+39	-32

(HU) = Heavy Users

The two major sections here—canned fruits and canned vegetables—show only sluggish appeal to those whose income and education is above average. But both can be expected to be major attractions to shoppers who live in the blue-collar areas typified by Groups 7 and 9. Interestingly, the lowest-income consumers, the urban blacks of Group 10, mirror the opposite end of the income scale in also eschewing both canned fruits and vegetables.

One canned item that can pull its weight in affluent locales is tomato and vegetable juices, consumption of which decreases along with income and education. Canned beans in a sauce show exactly the opposite pattern.

DESSERTS/BAKING INGREDIENTS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	-8	-26	-5	-4	+4	-15	+12	+2	+18	-9
Artificial Sweeteners* (HU)	8.5	+9	-1	-4	-6	+9	-6	+9	+6	-17	-10
Baking Chips	41.0	+15	-14	+14	+5	+7	-6	+13	-7	-8	-51
Baking Chocolate, Bar	17.3	+33	-12	+4	+8	-8	-2	+8	-20	+7	-24
Baking Coconut	26.3	—	-25	-4	+3	+3	-17	+8	-2	+26	-19
Baking Mixes (HU)	8.3	-20	-28	-13	-12	+9	-29	+4	+6	+15	+67
Brownie/Cookie Mix	33.2	+6	-1	+13	-4	+15	-13	+13	-3	-11	-36
Cake Mixes, Dry	61.0	-7	-24	+2	-8	+4	-8	+7	+3	+16	-13

(HU) = Heavy Users

*Adults

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

To the question "What's for dessert?" the answer in most higher-income households appears most often to be, "Nothing homemade."

For the two most basic ingredients, flour and sugar, the three most affluent groups (1, 2 and 3) are far below the national average in their usage. Both categories do well, however, among the lower-income blue-collar families of Groups 7 and 9. There's more than income to the story, as evidenced by the more modest usage rates of both Group 8 (older with few children) and Group 10 (low-income, urban blacks).

TARGETING YOUR TRADING AREA

DESSERTS/BAKING INGREDIENTS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Evaporated Milk (HU)	8.8	-44	-21	-33	-19	+18	-15	+22	-23	+51	+72
Flour (HU)	15.0	-36	-54	-17	-1	-1	-31	+21	+8	+63	-10
Frosting/Frosting Mixes	9.1	-16	-13	+8	-21	-2	-3	+30	-8	+27	-34
Gelatin Desserts (HU)	15.3	-25	-45	-3	+4	-4	-32	+7	+36	+13	-
Nuts for Cooking	38.5	+20	-20	+10	+7	+16	-13	+4	-4	-16	-28
Pie Crusts, Packaged	26.9	+3	-22	-	-3	+16	-5	-1	-6	+22	-33
Pizza Mix	10.7	-17	-65	-15	+5	-5	-22	+19	-	+58	-16
Puddings/Pie Fillings (HU)	13.7	-16	-32	-11	+10	+3	-40	+16	+12	+19	+7
Shortening	65.5	-12	-22	-3	-10	-2	-11	+9	+4	+24	-
Sugar (HU)	25.8	-27	-45	-14	-13	-5	-11	+21	+7	+45	-2
Whipped Topping (HU)	7.3	-23	-31	-20	-33	+10	-9	+17	+32	+27	-29
Yeast	23.3	-2	-21	-4	+12	-6	-2	+4	-1	+11	-5

(HU) = Heavy Users

FAMILY BEVERAGES (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	+3	-20	0	-2	+7	-9	+7	+1	+5	-12
Coffee, Ground (HU)	11.0	-8	-51	+12	-1	+28	-36	+10	+11	+20	-56
Coffee, Instant or Freeze-Dried (HU)	7.7	+2	-36	-9	+1	-20	-16	+9	+14	+35	-18
Cream Substitute, Non-Dairy	21.4	-14	-25	-1	+12	+2	-13	+12	+3	+16	-23
Drink Additives (Add Milk or Water)	34.2	-5	-10	+8	-4	+9	-5	+14	+2	-10	-22
Energy Drinks*	11.6	-12	+1	-15	-30	+14	+9	+20	-6	+5	+11
Iced Tea Mix, Instant (HU)	9.8	+6	-21	+24	+21	-4	-15	-8	+1	-4	-12
Milk, Dry	12.5	-6	-14	+2	-4	-12	+18	+10	-29	+9	+52
Powdered Fruit/Soft Drinks	34.8	-24	-23	-3	-13	+14	-10	+22	-2	+12	-
Tea, Instant	19.5	-7	-29	-12	-7	-11	-5	-6	+14	+31	+14
Tea, Regular (HU)	15.1	+9	-45	-3	-16	+13	-20	-	+7	+28	-20
Coffee Beans, Whole	9.5	+62	+15	+2	+9	+17	-12	-11	-3	-51	-10
Instant Coffee, Flavored	9.6	+38	-	-10	+13	+37	-8	-7	-2	-33	-41
Cocoa Powder	35.1	-3	-17	+5	-8	-1	-7	+25	-4	+8	-28

(HU) = Heavy Users
*Adults

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

When wealthier Group 1 suburban professionals do whip up something for dessert, they're likely to include baking chips or baking chocolate or nuts in the recipe with greater frequency than blue-collar household bakers.

Among the product categories that show a particularly strong tilt toward usage by lower-income households are gelatin desserts and whipped toppings. But the most demographically distinct pattern of all is that of evaporated milk, where consumption by Group 10 blacks is 72% above average.

Coffee, tea or ... ? That's the question that's answered by this category. Starting with the basics—ground and instant coffee—only the lower-income, less educated, mostly blue-collar members of Groups 7, 8 and 9 show above-average usage of both varieties. High-income Group 1 inhabitants go gourmet with their coffee, often preferring to buy either whole coffee beans to grind themselves or flavored instant varieties.

The various varieties of tea show a ragged pattern that does not seem to correlate with income. Regular tea, for example, fills many cups of affluent professionals living in the suburbs, but few in the city.

The blue-collar families of Group 7, with an above-average incidence of children in the household, show the highest rate of usage for powdered fruit/soft drinks.

TARGETING YOUR TRADING AREA

OILS/DRESSINGS/ CONDIMENTS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	-11	-27	+3	-6	+6	-20	+21	-9	+13	+12
Catsup (HU)	9.2	-59	-48	-9	-32	+7	-30	+50	-13	+39	+66
Mayonnaise/Mayo-Type Salad Dressing (HU)	9.8	-24	-29	-8	-2	+10	-17	+9	-16	+29	+47
Mustard (HU)	9.2	+15	-32	+18	-9	-5	-14	+27	-24	-1	+9
Oil, Salad or Cooking (HU)	16.7	-16	-29	+3	+6	+4	-22	+11	-6	+18	+15
Pickles (HU)	9.1	-16	-38	-6	-9	+4	-27	+40	-2	+25	-24
Pickle Relish	34.6	+4	-11	+11	-	+9	-8	+3	-4	-11	-2
Salad Dressing (HU)	28.1	+17	-3	+14	+3	+11	-24	+4	-1	-9	-28

(HU) = Heavy Users

"Hold the mayo," is a demand most likely to be heard among the affluent professionals of Group 1 and 2. The above-average-income suburban families of Group 5 like the spread, however, as do those at the low end of the income scale (Groups 9 and 10). Stores in these less affluent areas can also count on good sales volume for catsup and salad or cooking oils.

The wealthy suburban professionals of Group 1 are the most loyal buyers of bottled salad dressings, which may help to explain their relative disinterest in salad oils.

PACKAGED SPECIALTY FOODS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	-3	-17	+1	-4	+13	-10	+14	-5	0	-9
Chicken, canned	10.0	+1	-21	-10	-3	+20	-16	+29	-1	-6	-32
Chili, Canned	27.0	-5	-28	-3	-22	+24	+2	+29	-20	+6	-13
Deviled Ham/Other Meat Products	17.2	-24	-26	-16	-9	+4	-10	+26	-8	+44	-18
Dinner Mixes, Packaged (HU)	16.0	-11	-47	+12	-19	+9	-8	+19	+13	-17	+3
Hash, Canned	14.7	-3	-4	-14	-8	+16	-17	-3	-11	+27	+29
Mexican Foods	41.1	+12	-11	+2	-12	+29	+5	+18	-9	-20	-40
Pasta, Canned	22.8	-27	-31	-	+17	+9	-20	+21	-12	+3	+26
Potatoes, Instant	37.3	-	-29	+9	-4	+11	-3	+8	-11	+8	-11
Pasta, Packaged (HU)	26.3	+4	-2	+2	+11	+10	-22	+7	-5	-11	+8
Rice (HU)	12.8	-1	-26	-22	-21	+6	-12	-2	-2	+35	+44
Rice, Flavored/Seasoned	37.7	+19	+5	+14	-3	+25	+1	+5	-13	-34	-23
Olives	41.8	+25	-2	+9	+12	+18	-10	+3	-6	-24	-38
Soup, Canned (HU)	44.4	-	-5	+7	-1	+11	-11	+6	+3	+4	-36
Soup, Dry/Bouillon Cubes (HU)	14.5	+5	-21	+15	+9	+7	-16	+20	+3	-35	-13

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-33.

The average-income blue-collar families of Group 7 are good customers for many of these categories, including canned tuna, stews, chicken, chili and pasta.

Rice shows a dual personality, with higher-income households showing above-average usage of flavored or seasoned varieties and lowest-income households showing above-average usage of plain rice.

While most of these categories have trouble succeeding among those at the upper end of the income scale, an outstanding exception is olives, which shows a rate of usage among Group 1 suburban professionals 25% above the national average, suggesting the need for stores in these areas to stock as many sizes and varieties as possible, giving them the shelf space that some other packaged specialty foods don't merit.

TARGETING YOUR TRADING AREA

PACKAGED SPECIALTY FOODS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Tuna, Canned (HU)	22.2	- 1	+ 4	+12	+11	+11	-13	+12	-14	-16	- 4
Stews, Canned	17.5	-39	-32	- 7	-16	+ 4	- 7	+23	+ 8	+36	-18

(HU) = Heavy Users

SAUCES (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+ 9		+ 7	+ 2	+22	-	+ 7			
			-12				-22		- 7	-13	- 2
BBQ/Seasoning/Misc. Sauces, Bottled (HU)	17.9	- 7	-42	+ 5	-10	+42	-50	+23	-14	+ 7	+ 9
Gravy/Sauce Mixes	28.0	+16	- 7	+11	+ 5	+18	- 7	+ 2	-14	-22	-
Soy Sauce	39.2	+19	+15	+11	+ 8	+14	- 7	-	- 4	-26	-33
Spaghetti Sauce (HU)	13.5	+ 8	-13	- 1	+ 4	+15	-24	+ 1	+ 3	-12	+15

(HU) = Heavy Users

SNACKS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+ 1		+ 4		+17		+ 5		+ 2	
			-29		- 1		-11		- 3		-10
Corn/Tortilla Chips & Cheese Snacks (HU)	9.9	+12	-53	+ 5	-28	+50	-23	+ 5	-11	+ 5	- 5
Nuts* (HU)	9.2	+ 3	-27	- 5	+ 6	- 8	- 3	- 8	+15	+ 3	+15
Popcorn Snacks/Popping Corn (HU)	19.4	-11	-26	-	+16	+23	- 1	+ 4	- 4	+ 7	-44
Potato Chips (HU)	19.7	-21	-36	-	-16	+23	-21	+16	- 6	+21	+ 9
Pretzels	31.8	+13	-18	+19	+14	+11	-13	- 1	- 3	-18	-21
Meat Snacks	20.0	+ 7	-16	+ 6	+ 3	+ 2	- 6	+12	- 6	- 5	-14

(HU) = Heavy Users *Adults

SOFT DRINKS (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+ 8	+ 2	+ 4		+ 7	+ 2	+ 8			
					- 6				- 8	-15	- 2
Cola Drinks, Diet (HU)	18.4	+24	+ 4	+10	+14	+ 8	- 5	- 5	- 9	-29	- 5
Cola Drinks, Regular, Not Diet (HU)	16.9	-34	-19	- 7	-26	+11	+ 3	+23	- 1	+17	+13
Soft Drinks, Diet (Not Cola) (HU)	8.3	+ 4	-15	+ 8	- 1	+ 7	- 4	+27	- 4	-16	-42

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

One or more bottles of sauce is most likely to be found on the dinner tables of the younger, highly mobile, above-average-income families that comprise Group 5. Many live in the suburbs, and they're most likely to be found in the West and least likely in the Northeast. They're also good prospects for the three other sauce department categories reported on here. Spaghetti sauce shows a sawtoothed pattern of usage, with some boosters among the highest (Group 1), middle (Group 5) and lowest (Group 10) segments as defined by household income.

Strategies for maximizing snack rack sales need to be carefully modulated in line with neighborhood demographics. Corn/tortilla chips and cheese snacks, for example, sell well among suburban professionals but are shunned by their urban equivalents. Their best performance, however, is among the younger, above-average-income families of Group 5 (+50%). But then, almost all snacks whet the appetites of this group, which also leads in the rate of consumption of both popcorn and potato chips.

The need for customizing the relative amount of shelf space given to diet and non-diet colas is dramatically illustrated by the usage figures shown here. The higher-income Groups 1 through 4 all show high usage of diet cola drinks, but relative low usage of non-diet colas. The high-income suburban professionals of Group 1, for example, are 24% above the national average for diet colas but 34% below average for non-diet colas. The flip side of this pattern is evidenced by lower-income consumers, typified by the rural blue-collar workers of Group 9.

TARGETING YOUR TRADING AREA

SOFT DRINKS (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Soft Drinks, Regular (Not Cola) (HU)	12.8	-21	-5	-3	-26	-3	+7	+10	-2	+21	+19
Water, Bottled	22.0	+68	+45	+11	+9	+12	+11	-17	-26	-67	+6

(HU) = Heavy Users

SPICES/EXTRACTS/MISC. (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	-6	-24	+1	-10	+7	-18	+10	-1	+24	-3
Extracts	42.0	+7	-18	+10	+9	+7	-17	+2	-5	+1	-12
Meat/Fish Extenders	26.8	-35	-31	-5	-10	+16	-10	+26	-2	+22	-10
Non-Stick Cooking Products, Aerosol	40.2	+16	-19	+15	+6	+9	-21	+3	+2	+2	-46
Salt (HU)	8.9	-35	-43	-20	-14	-24	-25	+9	-1	+87	+49
Salt Substitute	23.7	+3	-18	+3	-16	-1	-14	-5	+7	+18	+10
Seasonings/Spices (HU)	11.7	+9	-13	-	-32	+32	-18	+23	-7	-11	-8

(HU) = Heavy Users

WINE (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	+53	+38	+9	+18	+4	-11	-17	-19	-51	+31
Wine & Spirits Coolers	19.4	+19	+1	+8	-5	+10	+4	+4	-14	-17	-14
Wine, Domestic Dinner/Table	25.9	+55	+42	+20	+19	+13	+1	-22	-18	-58	-17
Wine, Imported Dinner/Table	10.8	+51	+52	+22	+21	+19	-1	-34	-20	-56	-5
Wine, Aperitif, Specialty	1.0	+104	+63	-29	+45	-11	-16	-2	-34	-88	+76
Wine, Dessert/Port/Sherry	4.9	+57	+48	+25	+25	-14	-10	-37	-20	-45	+45
Wine, Party/Pop/Sangria	1.4	-1	+43	-5	-35	+6	-31	+13	-3	-39	+114
Wine, Sparkling/Cold Duck/Champagne	13.4	+44	+43	+19	+10	+14	-12	-15	-14	-53	-1
Vermouth	3.4	+92	+10	+12	+60	-7	-26	-42	-27	-54	+48

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2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

Those who are below average in salt consumption share the demographic pattern of being above average in income. Only the two lowest-income sectors, Groups 9 and 10 show dramatically high patterns of salt consumption. Allocation of shelf space of seasonings and spices needs to be most generous in stores located where young above-average income Group 5 families are prevalent. The poorest potential for all these product categories is among the urban professionals of Group 2.

Supermarkets operating in areas defined by either Group 1 or Group 2 have the opportunity to capitalize on a well-developed taste for wine (assuming, of course, that local licensing laws allow them to stock wine at all). These affluent and well-educated consumers show the highest rates of usage for both imported and domestic table wines, and also demonstrate an appreciation for champagne.

Stores in blue-collar areas, as typified by Groups 7 and 9, can expect the wine to flow at a much more sluggish rate. The typically suburban areas of Groups 3 and 5 show an interest in consuming coolers.

TARGETING YOUR TRADING AREA

DRY GROCERY (NONFOOD)

HOUSEHOLD CLEANERS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average			+ 6	+ 2	+ 1		+12		+11	
	-	- 3	-18				-17		- 4		- 2
Carpet Cleaners (H)	8.8	-21	-39	+ 3	-24	-18	-20	+39	- 3	+24	+29
Drain Cleaners	39.2	- 1	- 7	+ 6	+ 5	- 4	- 7	+ 5	—	+ 3	- 9
Floor/wax polish	34.5	- 9	- 9	+ 1	+ 1	+ 3	—	+ 6	+16	-14	+12
Household Cleaners (H)	21.5	—	-24	+ 9	+10	+17	-22	+ 9	- 3	+ 1	-28
Furniture Polish (H)	19.6	- 3	-13	+ 9	-14	+10	-32	+31	+ 5	+ 6	-44
Toilet bowl cleaners, in-bowl	53.1	- 8	-22	+ 7	+ 1	+ 3	-12	- 2	+ 1	+15	—
Toilet bowl cleaners, in-tank	37.6	-13	-21	+ 5	- 2	- 7	- 3	+ 7	- 5	+21	+ 3
Metal polish	23.3	+40	+ 2	+17	+21	+ 3	-19	-12	-10	-17	-17
Oven cleaners	39.7	- 9	-13	- 4	- 5	+ 2	- 5	+ 8	- 5	+10	+20
Scouring pads (H)	12.1	- 8	- 5	+11	+ 2	-13	-44	+20	+ 7	+12	+ 3
Scouring Powder (H)	9.5	-17	-44	-20	-14	- 4	-12	+24	+ 5	+25	+28
Glass cleaners (H)	16.1	+11	-21	+27	-10	+20	-29	+ 4	-18	+14	-23

(H) = Heavy Users

Use of household cleaners by the various geodemographic groups is, well, spotty. Each group has some favorite types of cleaners while showing relative disdain of others. This underlines the need for every store to modulate their settings in this department to reflect neighborhood demands.

The affluent suburban professionals of Group 1 provide a good example. They are avid metal polishers (probably lots of silver and brass on the premises) and glass cleaners (all those mirrors and windows in those big houses). But their usage of other cleaners is lack-luster—particularly carpet cleaners, for which they can afford to call in professionals.

For the blue-collar, rural families of Group 7, however, carpet cleaners are an important category (usage 39% above average) along with such traditional basics as furniture polish (+31%), scouring pads (+20%) and scouring powder (+24%).

Usage of toilet bowl cleaners of both types is highest among the low income, rural blue-collar member of Group 9.

HOUSEHOLD SUPPLIES (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+ 6		+ 6		+12		+ 8		+ 3	
	-		-14		- 3		-18		- 3		-18
Charcoal (HU)	10.9	+23	-20	- 7	- 9	+30	- 7	+11	-14	-12	-13
Tape, Transparent (HU)	20.2	+17	-13	+11	+ 7	+32	-32	+18	- 8	-12	-58
Insecticide, Indoor (HU)	8.4	- 8	-21	- 7	-22	—	-10	+14	+ 8	+ 2	+35
Insect Repellents	27.9	- 5	-26	+ 6	- 7	+20	-23	+11	- 1	+16	-32
Light Bulbs (HU)	15.9	+25	+ 1	+ 7	- 2	+22	-29	+15	- 1	-22	-41
Insecticides, Outdoor	26.0	+ 8	-21	+12	+19	+11	-37	- 1	- 1	+17	-39
Rubber Gloves	30.6	+24	+19	+17	- 2	+ 5	-10	-13	-10	-13	+ 4
Air Freshener Sprays/Room Deodorants (HU)	12.5	-12	-22	- 4	- 7	- 7	- 5	+ 5	+ 1	+ 9	+42
Canning Jars/Lids	23.2	-18	-36	+17	- 2	- 2	-11	+16	- 2	+39	-61

(HU) = Heavy Users

The terraces and backyards of suburban Groups 1 and 5 seem to lend themselves to frequent barbecues, judging from the high usage rates of charcoal by these groups. While they're out there waiting for the steaks to char, many bring along some outdoor insecticides to ward off unwelcome visitors, suggesting some cross-merchandising possibilities.

Indoor insecticides are in greater demand by the urban low-income blacks who compose Group 10, who also show the highest rate of usage (42% above average) of air fresheners and room deodorants.

Transparent tape can be expected to sell best in stores located in higher-income neighborhoods.

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

TARGETING YOUR TRADING AREA

LAUNDRY SUPPLIES (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average			+ 2		+ 23		+ 9		+ 15	
		- 5	- 32		- 5		- 26		- 1		- 14
Bleach (HU)	21.7	- 13	- 36	- 1	- 12	+ 18	- 30	+ 23	- 2	+ 30	- 27
Fabric Softener (HU)	18.1	- 16	- 55	- 3	- 1	+ 55	- 39	+ 20	+ 6	+ 2	- 41
Detergent/Soap, Regular Laundry (HU)	25.3	- 11	- 49	+ 6	- 6	+ 40	- 38	+ 18	—	+ 20	- 50
Detergent/Soap, Fine Fabrics (HU)	10.8	- 9	- 23	- 3	- 10	- 1	- 25	- 7	+ 6	+ 17	+ 59
Starch	32.0	+ 7	- 13	+ 2	- 9	+ 9	- 15	- 7	- 12	+ 27	+ 10
Laundry Pre-Treatments/ Pre-Cleaners	49.2	+ 11	- 13	+ 8	+ 8	+ 15	- 10	+ 6	- 5	- 7	- 34

(HU) = Heavy Users

PAPER/PLASTIC PRODUCTS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+ 2		+ 9		+ 13		+ 8			
			- 18		- 1		- 18		- 5	0	- 12
Aluminum Foil (HU)	11.9	- 10	- 24	+ 7	- 19	+ 18	- 40	+ 15	- 3	+ 7	+ 31
Diapers, Disposable	12.5	- 16	- 35	- 21	- 21	+ 18	+ 12	+ 32	- 13	+ 14	- 7
Household Wipes, Disposable	16.1	+ 25	- 2	+ 12	+ 2	+ 2	- 19	- 12	- 9	- 2	+ 17
Cups, Disposable	34.5	+ 8	- 13	+ 14	—	+ 11	- 26	+ 6	- 12	+ 6	- 5
Plates, Disposable	52.5	—	- 22	+ 10	—	+ 7	- 34	+ 12	- 1	+ 3	- 27
Facial Tissue (HU)	26.7	+ 20	- 11	+ 30	+ 13	+ 11	- 36	- 5	- 5	- 15	- 13
Oven Cooking Bags	15.0	- 18	- 37	+ 9	- 6	+ 27	- 2	+ 12	- 17	+ 10	- 8
Paper Napkins	74.5	+ 13	- 1	+ 9	+ 11	+ 6	- 9	- 2	- 3	- 14	- 13
Paper Towels (HU)	22.5	- 2	- 13	+ 15	- 2	+ 15	- 25	—	—	+ 3	- 6
Plastic Kitchen Wrap (HU)	18.0	+ 7	- 14	+ 14	+ 3	+ 10	- 35	+ 8	+ 7	- 1	- 30
Plastic Sandwich/Food Storage/Freezer Bags (HU)	14.6	- 3	- 30	+ 26	- 5	+ 21	- 31	+ 4	—	—	- 17
Plastic Garbage Bags/Trash Can Linens (HU)	43.7	+ 2	- 10	+ 5	+ 1	+ 8	- 9	+ 13	+ 1	- 7	- 26
Cleaning Wipes, Pre-Moistened	16.2	+ 2	- 26	- 4	+ 2	+ 19	+ 3	+ 23	- 14	- 7	- 27
Toilet Paper (HU)	35.6	- 5	- 17	+ 5	- 6	+ 19	- 7	+ 13	- 6	- 1	- 24
Waxed Paper	53.4	+ 11	- 10	+ 8	+ 15	—	- 15	- 1	- 5	+ 9	- 25

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

The busiest home laundries can be found in the homes of the young families of Group 5. The fact that 52.5% of these households have one or more children on the premises—the highest rate of the 10 groups—helps to explain this. Their usage of the two department basics, detergents for regular laundry and fabric softeners is the highest of any group.

Those living in urban areas, whether affluent (Group 2) of low income (Group 10) are low in their usage of laundry products, probably because their apartments lack the room for these appliances.

The young families of Group 5, with lots of children and above-average income, are prime customers for a wide range of paper and plastic products, including such department stalwarts as paper towels (15% above average) and toilet paper (+ 19%).

Disposable diapers also do well with Group 5, as they do with the rural blue-collar families of Group 7 (32% above average). Stores located in the areas populated by affluent professionals, however, can devote a smaller proportion of their paper section to diapers. In the case of the affluent suburban professionals of Group 1, the space might well be allocated to the facial tissues, paper napkins, disposable household wipes and disposable cups they like to stock up on.

Waxed paper usage skews toward higher income areas, probably because of their greater use of this product in microwave ovens. Waxed paper is just one of several product categories in this department that have low usage among the low-income, urban blacks of Group 10. An exception is aluminum foil, for which they show usage 31% above the national average.

TARGETING YOUR TRADING AREA

PET PRODUCTS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	+12		+8		+13		+17			
			-10		-8		-5		-7	-10	-35
Cat Food, Canned	14.0	+34	+7	-2	+4	-3	+15	+29	-27	-33	-13
Cat Food, Dry	21.6	+11	-19	-3	-23	+6	+5	+32	-11	+3	-36
Cat Food, Moist	7.6	+30	+29	-10	-5	-5	-3	+10	+5	-17	-30
Dog Food, Canned	14.6	+1	-36	+35	-10	+18	-26	+8	-5	+6	-39
Dog Food, Dry	27.8		-45	+16	-17	+26	-25	+20	-4	+19	-54
Dog Food, Moist	5.7	-5	-9	+7	-7	+22	-29	+19	+9	-8	-37
Cat Litter	16.2	+17	+19	+8	-3	+12	+11	+15	-15	-26	-38
Dog Biscuits/Treats	19.3	+31	-40	+27	-2	+30	-28	+10	+1	-35	-45
Flea/Tick Care Products	20.2	-1	-35	+5	-10	+14	-6	+18	+4	-3	-31
Cat Treats	8.4	+2	+28	-6	-8	+12	+35	+8	-24	-4	-28

(HU) = Heavy Users

SOAPS, NON-LAUNDRY (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	+2		+13		+13		+12		+4	
			-13		-2		-15		-2		-45
Automatic Dishwashing Detergent	45.2	+62	-4	+19	+7	+45	-23	-9	-23	-32	-53
Dishwashing Detergent, Liquid (HU)	9.6	-42	-16	-11	-7	-16	-5	+36	+22	+34	-54
Hand Cleaners, Heavy Duty (HU)	17.3	-15	-18	+31	-7	+10	-18	+9	-6	+10	-28

(HU) = Heavy Users

TOBACCO	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -					+2	+2	+12	+3	+40	+13
		-41	-20	-10	-19						
Cigarettes* (HU)	10.6	-31	-21	-16	-22	+8	-23	+19	+20	+35	-10
Cigarettes/Little Cigs*	1.6	-53	-38	-30	-12	+31	-5	+56	-25	+42	-6
Cigs**	4.3	-45	+19	+24	-11	-2	+18	-17	-21	+18	+53
Chewing & Smokeless Tobacco**	5.3	-77	-55	-15	-37	-24	-30	+32	+20	+143	-28

(HU) = Heavy Users

*Adults

**Men

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

All types of dog food, dog biscuits and treats show heaviest usage among the young, above-average-income families of Group 5 and the blue-collar rural families of Group 7. The older, white-collar workers of Group 4, many of whom live in the central city, show little commitment to man's best friend.

Cats often reside with the wealthy suburban professionals of Group 1, who are heavy buyers of all three types of cat food as well as cat litter. Many cats share homes with dogs in Group 7 households, making this group the overall best customers for pet products departments. At the other end of the spectrum, pet ownership and demand for pet products is least evident among the low-income, urban blacks of Group 10.

A tradeoff is apparent between the use of automatic dishwashing detergents and liquid dishwashing detergents. The suburban affluents of Group 1 have a dishwasher to do their work and therefore skimp on usage of the liquid detergents used for washing of dishes by hand. The older, below-average-income members of Group 8, however, show the opposite pattern. The number of brands and sizes offered by a particular store can profitably be altered by reference to this type of data.

The highest rate of cigarette consumption is found in areas with Group 9 characteristics (less educated, low income, rural blue-collar workers). Their rate of heavy usage is 35% above the national average. Many live in the South, and the rate of blacks living there is more than twice the national average. This group's usage of all other tobacco product categories is also high.

Cigs find some fans among the higher income inhabitants of Groups 2 and 3 with some support coming from lower-income Groups 9 and 10.

TARGETING YOUR TRADING AREA

TOBACCO	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Disposable Lighters* (HU)	11.1	-35	-18	-21	-31	—	+2	+9	+14	+45	+18
Pipe Tobacco**	5.9	-11	-41	-11	+13	-9	-11	-14	+18	+43	-9
Cigarette Rolling Paper*	3.4	-35	+10	+2	-29	+11	+63	-4	-8	-44	+73

(HU) = Heavy Users *Adults **Men

FROZEN FOOD

FROZEN FOOD (BASE = HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+4		+8		+19		+6			
			-19		-5		-12		-5	-3	-14
Chicken, Breaded	23.0	-3	-16	+4	-13	+13	-7	+23	-5	-4	-19
Desserts (HU)	9.3	+9	-15	+9	-16	+27	-19	-1	-1	-5	-9
Dinners (HU)	11.6	-8	-9	+4	—	+12	—	+1	+9	+4	-44
Dough Products (HU) (incl. refng.)	10.1	-37	-57	-7	-32	-18	-16	+28	-1	+67	+31
French Toast/Pancakes	17.8	-1	-9	+7	-2	+37	+7	-9	-17	-16	+7
Corn on the Cob	26.5	+4	-4	-5	-16	+27	-6	+5	-16	-3	+20
Main Courses/Entrees (HU)	12.3	+20	-1	+25	+8	+28	+16	-7	-22	-30	-40
Pizza (HU)	13.1	-10	-46	+5	-19	+9	-12	+22	+3	+22	-32
Potato Products (HU)	11.8	-26	-59	—	-16	+26	-28	+22	—	+33	-14
Orange Juice (HU)	10.3	+6	-6	-8	-13	+25	-17	+13	+6	-18	-6
Seafood (HU)	12.2	+4	-16	+3	+2	+20	-26	+7	-6	-3	—
Vegetables, Plain (HU)	10.8	+45	-7	+38	+7	+24	-34	-13	-15	-25	-27
Vegetables, Prepared (HU)	13.5	+22	-6	+20	+21	+19	-27	-13	+3	-32	-10
Waffles	32.1	+14	-7	+9	+17	+30	-10	+4	-15	-35	-11
Yogurt	11.7	+31	-10	+12	-17	-4	+3	-7	-7	-2	+2
Breakfast	4.3	+21	-8	+12	+35	+8	-17	+5	-5	-16	-58
Ice Cream/Sherbert/ Ice Milk (HU)	19.1	-16	-33	—	+6	—	-19	+22	+2	+11	-9
Ice Cream Novelties (HU)	8.5	-9	-32	+23	-39	+40	-25	+1	+2	+2	—

(HU) = Heavy Users

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4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
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8. Low income, older, few children
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10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

The most consistently high rate of usage of frozen products can be found in Group 5, the young families with children living in the suburbs. Lots of freezer space is needed to accommodate their taste for such frozen staples as main courses and entrees (28% above average) and ice cream novelties (+40%).

Among affluent professionals, those living in the city (Group 2) show little interest in frozen, but their city cousins can be counted on to stock up on main courses and entrees, as well as both plain and prepared vegetables.

Both frozen pizza and frozen potato products evoke lukewarm interest among higher-income groups, but a stampede to the frozen section by Group 7 (blue-collar rural families) and Group 9 (similar, but with much lower income). But in the very lowest income group (Group 10's low-income urban blacks) almost all categories show below-average consumption, perhaps related to a lack of adequate in-home freezer space.

The younger, below-average-income members of Group 6 are one of the least likely to have children in the household, which helps to explain their low consumption of both ice cream and ice cream novelties. The category of most interest to them is main courses and entrees.

**EIGHTH
ANNUAL
OPERATIONS
REVIEW**

SERVICE DELI REVIEW

Has the supermarket service deli reached a crossroads? The results of the annual review of the department's operations review shows that continued growth will only come by facing tough challenges.

BY DAVID LITWAK AND JANET TORRES CEPEDA

When a new concept is successful, it seems to have unlimited potential. And as growth begins to soar, so do expectations.

To those who nourished it through the early years, the new concept brings rewards in the form of extra sales, more profits, additional customers, and the development of offshoot services.

But inevitably, the time comes when the concept can no longer maintain its spectacular ascent. Growth is still there, but the soaring growth has abated, and some of the initial enthusiasm has faded.

The service deli may just be reaching this point. In 1989, it still showed double-digit growth in sales, as it has for several years—but the rate of growth has begun to decline.

If delis are to continue their previously fast growth, changes in the concept need to be contemplated. It is important that the department's past successes not cloud retailers' vision of its future direction.

Growth still double-digit

Service delis continue to exhibit solid growth in sales. The increase in 1989 was 16.5 percent.

This, however, is about 21 percent less than the 20.7 percent sales growth that the department had in 1988.

Part of the reason that growth slowed somewhat in 1989 was a drop in the number of new deli units coming into the industry.

Last year about 500 delis opened in supermarkets, bringing the total number of deli units in operation to 20,200. This amounts to units in about 65.4 percent of all supermarkets. In 1988 there were 900 new deli units in operation. With 400 fewer new units open, the percentage increase in total sales suffered.

The drop in the number of new service deli departments opening last year points to the strong possibility

CENSUS

3A

SALES, MARGINS & PRODUCT MIX

4A

SPACE

6A

LOCATION & EQUIPMENT

8A

LABOR & SERVICE

13A

PRODUCTION & SUPPLY

14A

MERCHANDISING & CUSTOMERS

16A

that deli construction may have passed its peak.

Store construction in general has slowed in many areas of the country. Two-thirds of the stores already have delis, so there is no room to support the opening of hundreds of new supermarket delis each year. Operators will have to concentrate on getting more sales out of the delis that they currently run.

Service deli sales are really an amalgam of different sales, more or less controlled by the service deli. Some retail organizations sell items such as pizza, hot entrees, refrigerated entrees and salads right out of the deli, while others have begun to separate out these services, both in physical location and in management responsibility.

Other services, such as sushi bars, cafes, snack bars, catering, self-service yogurt, can also be under the purview of the deli department. We certainly have come a long way from the original meaning of the old term "Delicatessen."

Adding up the money brought in by all these activities, the service deli had sales last year that reached \$11.13 billion. This was an increase of about \$1.5 billion.

Retailers have managed to increase the amount of sales dollars that each of their existing service delis brings into the store. Average weekly sales for a deli department rose last year to an all-time high of \$10,000. This was an increase of 13.6 percent over the 1988 average of \$9,352.

The combination of an additional 500 deli units, and an increase in average sales of 13.6 percent, fueled last year's 16.5 percent total sales growth.

As the number of new units declines each year, the total department growth rate should continue to decline, although real growth at individual units may continue to do extremely well. And after all, real sales growth of a unit is what really matters, since you can't

DELI CENSUS

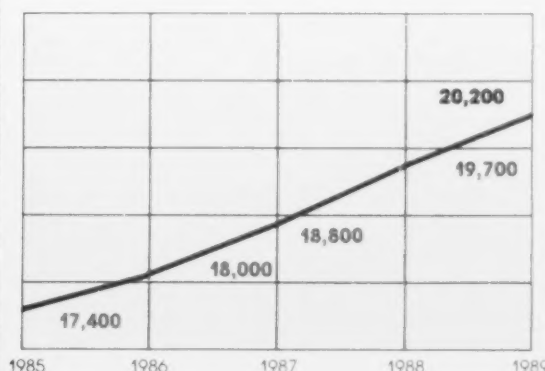
The number of service delis operating in our nation's supermarkets has swelled to 20,200, bringing departmental sales to over \$11 billion.

Sales were on the rise again last year in the service deli. Fueled by the opening of approximately 500 new deli units, the overall 1989 sales increase was 16.5%.

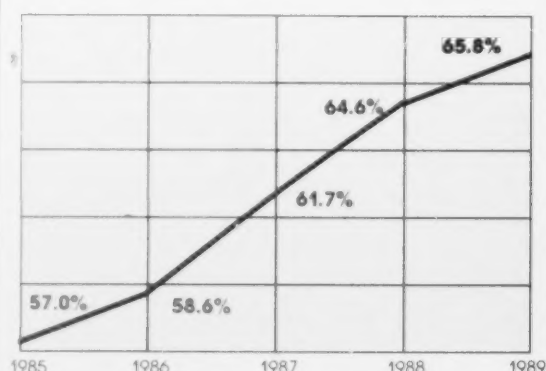
Growth in both the number of operating deli units and total deli sales has slowed somewhat from the stellar pace of 1988. While sales are still far from leveling off, delis will have a hard time maintaining the high growth levels of the 1980s.

Weekly sales per deli rose 13.6% in 1989. On average, each deli sold about \$10,600 worth of product through its various sections. Superstores and super warehouse stores sold almost twice as much product as conventional units.

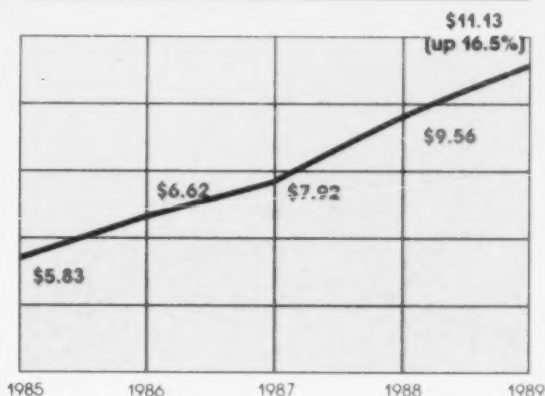
Service Deli Units



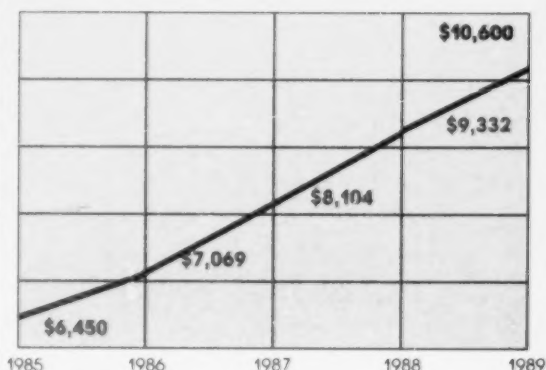
Percent of Supermarkets



Annual Sales (billions)



Average Weekly Sales Per Service Deli



take the statistical concept of "total sales growth" to the bank.

Industry-wide success

The vast majority (89 percent) of deli operators report an increase in sales at delis run by their companies, while only 3 percent found their deli units to be bringing in less money than in the previous year. On a company-wide basis, the average increase reported by retailers in units that have been operating for at least two years was 11.1 percent.

This shows that the growth in deli unit sales is evenly spread among the whole industry; it is not the case that part of the industry has large sales gains in their delis, while another seg-

ment has large declines. The deli concept, therefore, is still working successfully for virtually all operators using it.

While larger stores sell more in terms of total dollars, deli sales may be more important to smaller stores. The deli in a superstore sells an average of \$14,200 per week, while the average super warehouse store sells \$14,900 a week at its deli, accounting for 4.08 percent and 2.72 percent of their respective total store sales.

The average conventional store deli, on the other hand, brings in only \$7,821 a week, but this accounts for 5.5 percent of total store sales. The deli becomes central to the product mix of the conventional store, and its impact on drawing in customers from the competition makes the deli an extremely important department to the smaller store.

Profits are up slightly for delis. Last year the average service deli contributed 14.7 percent of the profits to the store it was in. This was up slightly from 14.3 percent the year before.

The ratio of percent of store profits to percent of store sales for the deli is over 3 to 1. No wonder the incentive to get deli sales up is so strong!

The gross margin achieved by the service deli averages 43.2 percent, down slightly from 44.6 percent the previous year. This probably just reflects adjustments in products and prices, rather than indicating a downward trend.

New products carve up the pie

Almost two-thirds (63.3 percent) of service deli sales are

DELI SALES, MARGINS & PRODUCT MIX

An increase in deli dollar sales equals more bankable profits for the store. This equation, like any true mathematical principle, has never varied.

Deli department sales were up in 89% of the units operating last year. The average increase was approximately 11%. This is good news for operators, since deli sales bring in almost 15% of the net profit of the stores in which they operate.

A gross margin of more than 43% helped keep the profitability of the department high. Products that are gaining popularity in the service deli, such as hot and refrigerated entrees, pizza, sandwiches and other prepared foods, should keep deli profits up, since their margins are generally higher than those of traditional deli products.

Deli operators have been very good at keeping up with the consumer the past few years. In 1989, those products that increased in sales or that were introduced into delis the most frequently were those that reflected consumer tastes, lifestyles, or health interest. Among these were refrigerated entrees, low sodium products, soft-serve yogurt, and low fat products.

Average Weekly Sales

Mean **\$10,600** Median **\$9,700**

By Store Format

Conventional	\$7,821
Super Store	\$14,200
Superwarehouse	\$14,900

Change in Dollar Sales (1988 vs. 1987)

Higher	89%
No change	8
Lower	3
Total	100%
Average reported increase	11.1%

Do You Consider Your Delis

Image/traffic builders	3%
Profit centers	12
Both	85
Total	100%

Share of Total Store Sales

Mean **4.5%** Median **4.1%**

By Store Format

Conventional	5.13%
Super Store	4.08
Superwarehouse	2.77

Contribution to Store Profits

Mean **14.7%** Median **15.7%**

Percent of Store Profits

Less than 8.0%	6%
8.0 - 9.9	11
10.0 - 11.9	22
12.0 - 14.9	33
15.0 or more	38
Total	100%

Gross Margin

Mean	43.2%
Median	41.2%
Less than 35%	9%
35 - 39	26
40 - 44	37
45 - 49	15
50 or more	13
Total	100%

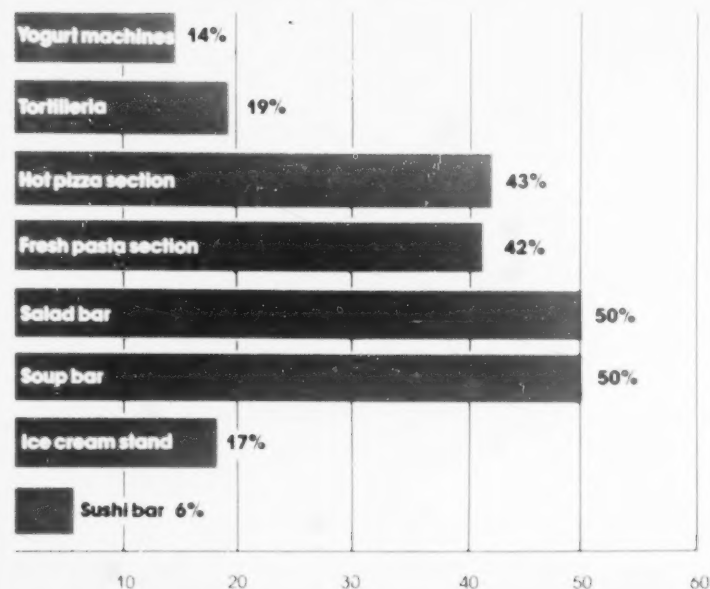
Service Deli Items: Lines Most Frequently Added or Increased

- Refrigerated entrees
- Soft yogurt
- Low fat products
- Low sodium products

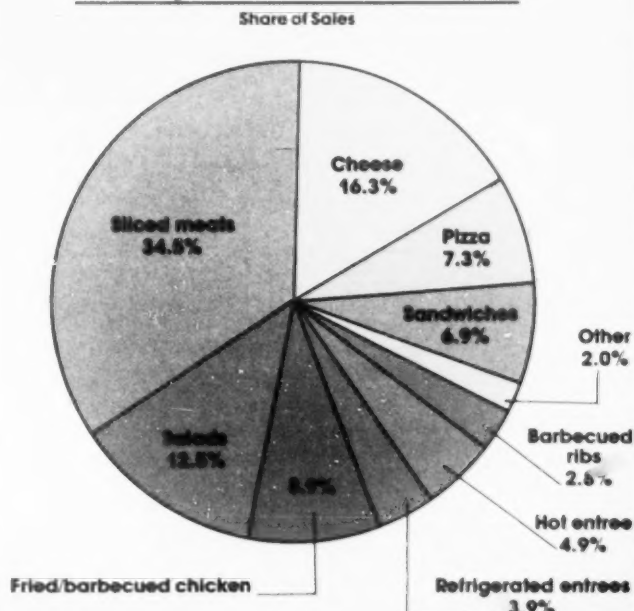
Items Dropped or Decreased

- Hot entrees
- Variety lunch meats

Percent of Companies Offering Each Type of Product Section as Part of Service Deli



Portioning Out the Service Deli Sales Dollar



DELI SPACE

As a percentage of total store space, delis are shrinking. But they now pack more wallop per square foot, when it comes to bringing in the bucks.

While the average deli has increased its size slightly (to 1,410 sq. ft.), its size has not quite kept pace with increases in the size of the total store. The percentage of total store space occupied by the deli has declined to an average of just 3.8%, down from 4.1% in 1988. This decline occurred in all types of store formats. The biggest decrease was in superstores, which declined from 4.9% to 4.6% in the past year.

The deli has become better at profitably using the floor space that it has. Over the past year, the average deli had sales of \$7.52 per sq. ft. per week. This represented an increase of \$.59 per foot over the previous year. Since more sales from each square foot is the goal of merchandising in any retail organization, delis are making merchandisers very happy.

Size of Department

Square Feet of Space

Mean	1,410 Square Feet
Median	1,225 Square Feet

By Store Format

Conventional	1,005 Sq. Ft.
Super Store	2,090 Sq. Ft.
Superwarehouse	2,045 Sq. Ft.

Share of Total Store Space

Mean	3.8%
Median	3.4%

By Store Format

Conventional	4.1%
Super Store	4.6
Superwarehouse	3.1%

The Delibake Concept

Stores Combining Delis and Bakeries into a Joint Delibake Department

Joint delibake	26%
Separate departments	74
Total	100%

Popularity of Display Case Styles

Percent Likely to Use in Upcoming Installations

European-style cases	68%
Traditional cases	30
Both	2
Total	100%

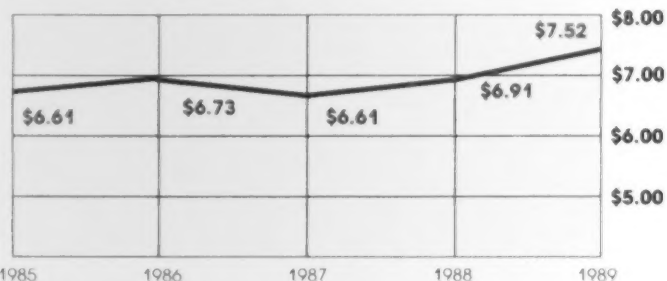
Average Weekly Sales Per Square Foot of Space

Mean	\$7.52
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By Store Format

Conventional	\$7.78
Super Store	6.80
Superwarehouse	7.29

Average Weekly Sales Per Square Foot of Space



accounted for by the traditional deli products, sliced meats, cheeses and salads. For an increasing number of these items, service deli sales include self-service, especially wrapped cheeses and vacuum-packed meats.

These self-service items, along with refrigerated self-service entrees, seem to be the wave of the future. Fifty-seven percent of the retailers indicated that they believe that their operations will be moving toward more self-service in the future.

This further emphasizes the

convenience aspect of the deli, which is one of the department's strongest merchandising and marketing attributes. Delis' reputations have traditionally been built on quality and service; but of late, they are being driven by convenience.

Prepared foods continue to make significant gains in their portion of the deli sales dollar. For instance, prepared entrees now account for 8.8 percent of sales, a significant increase over last year's 7.1 percent.

This is the first year that hot and cold entrees were separately tracked. The slightly bigger share of the pie still goes to entrees that are sold hot. These account for 4.9 percent of all deli sales, while sales of refrigerated entrees reached 3.9 percent of the total.

Indications are that refrigerated entrees will increase at a much faster rate than hot entrees. Retailers indicated that hot entrees were among the most decreased or dropped deli products last year, while refrigerated entrees were among the most increased.

Other prepared foods also hold a significant share of deli sales. Pizza (7.3 percent), sandwiches (6.9 percent), barbecued ribs (2.8 percent) and barbe-

cued/fried chicken (8.9 percent) all had slight increases in their share of sales during the past year.

Low-sodium and low-fat products were also among those products most often added or increased in the deli. The deli section is the area of the store that can respond the fastest to consumer trends and needs.

Frequently this is due to senior management giving deli directors more leeway to incorporate changes, and to some degree circumvent the usual procedures for getting needed products into their cases. If any area of the store can take in a product without the appropri-

DELI LOCATION & EQUIPMENT

In addition to the basics, the well-equipped deli will be wearing the latest in convenience foodservice equipment this year.

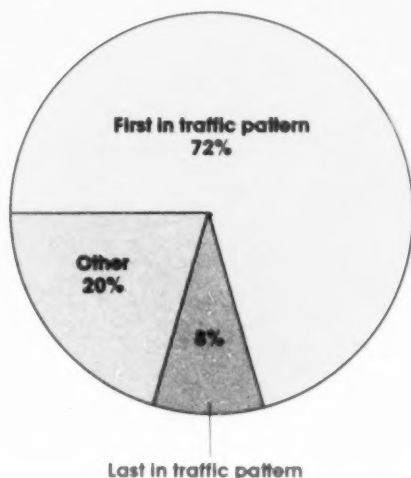
To operate, a deli needs slicers, walk-in refrigerators, random weight scales, oven and fryers. It seems that virtually every deli has at least one of each of these.

The latest craze in deli equipment seems to be the adoption of more paraphernalia that can be used in providing fast food to hungry consumers. More and more delis have

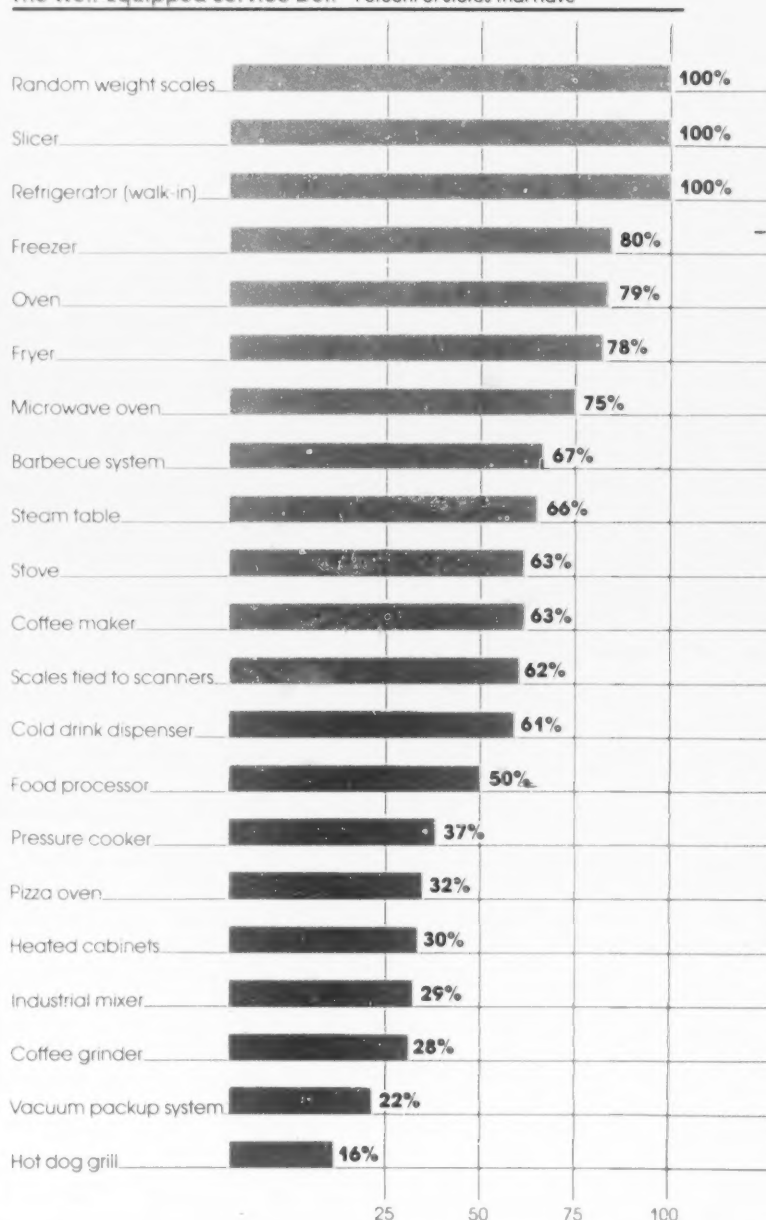
installed microwave ovens (75%), barbecue systems (67%), coffee makers (63%), cold drink dispensers (61%), pizza ovens (32%) and hot dog grills (16%).

What the majority (72%) of deli operators would like to do with their store's traffic patterns is to put the deli first. An additional 20% want the deli in the middle of the store.

Preferred Location for Service Deli



The Well-Equipped Service Deli Percent of Stores That Have



ate allowances being met, it is apt to be the deli.

Retailers have been quick to experiment with many different sections and product lines in their thirst to boost deli-related sales.

Yogurt machines, tortillerias, sushi bars, ice cream, pizza and fresh pasta sections are all offered in many many units. Salad bars and hot soup are being offered by about half the

companies that operate delis.

Add to these the snack bars, wokeries, restaurants and catering, and you have a lot of different kinds of products and services fighting for a share of the deli dollar, and for the attention of the deli employee and the department's management.

Sometimes there may not be enough of that management attention to adequately go around. That is when the

department can run into trouble, and there is the potential for slippage of the image across the whole department. One poorly done departmental section can undo a lot of the good things done by the rest of the department in the eyes of the consumer.

Labor looking better

Deli labor statistics are encouraging. On average, delis

are employing more people, but are also using them more wisely.

Compared with a year ago, there is almost an extra full-time employee in today's deli department. Currently, the average deli employs the equivalent of 8.5 full-time employees, up from 7.7 in 1988.

Each employee brings in weekly sales that now average \$1,247. This is also up slightly (\$35) in 1989. Despite having an

DELI LABOR & SERVICE

There have been significant cuts in deli labor costs, despite the introduction of prepared foods. This reverses the trend of previous years.

Call it fate, better management, or a dream come true—but labor costs are down in the deli department. In 1989, labor costs as a percent of sales were down 18%, compared with the 1988 level of 22.6%. A year ago, it looked like the increase in prepared foods would take its toll in labor costs, but the popularity of self-service may have turned the situation around.

The deli is employing more people: on average, almost an extra full-time employee per unit. Extra deli sales have not only driven down the percentage of sales needed to pay for these employees, but has driven up the average weekly sales per employee to \$1,247.

Retailers are expecting more self-service offerings in their delis, leaving their employees free to spend more of their time in food preparation and maintenance of the facilities.

Number of Employees

Full time	4.0
Part time	8.9
Full-time Equivalent*	8.5

Full-Time Equivalent Employees

Fewer than 4	8%
4-5	17
6-7	29
8-10	17
11 or more	29
Total	100%

*Two part-time = one full-time employee

Average Weekly Sales Per Employee*

Mean	\$1,247
\$750 or less	5%
\$751-\$1,000	20
\$1,001-\$1,500	47
\$1,501-\$2,000	25
Over \$2,000	3
Total	100%

*Full-time equivalent employees

Special Area for Consuming Foods Drink From Deli On Premises

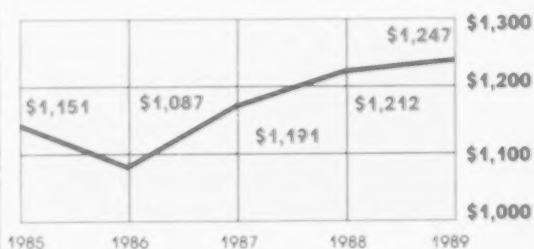
Percent of Companies Offering	
Have facilities	72%
No facilities	28
Total	100%

How Much for Labor

(Labor as a Percent of Service Deli Sales)

Mean	18.0%
Median	17.8%
10-15%	14%
16-20	32
21-25	33
26-30	18
Over 30	3
Total	100%

Average Weekly Sales Per Employee



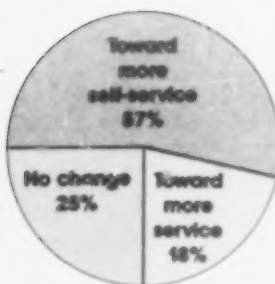
Time for Prep and Service

Breakdown of Labor Hours

Customer service	61%
Other (incl. prep)	39
Total	100%

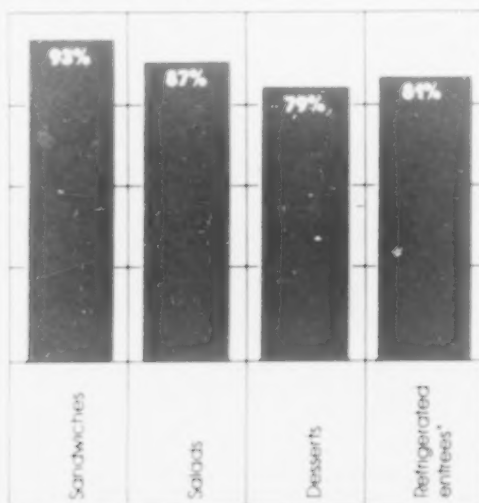
Trends in Service

Direction Deli Directors Expect Their Operations to Move



Offerings of Prepackaged Products in Self-Service Cases

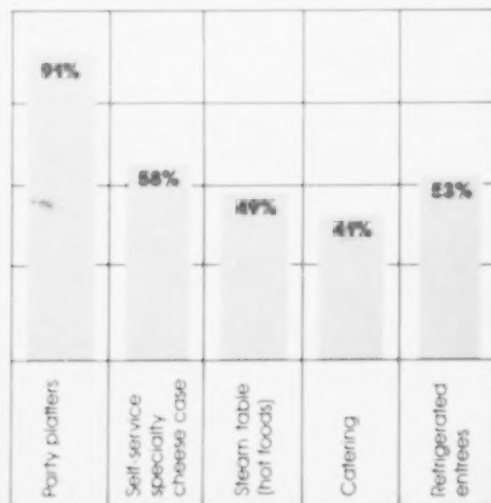
Percent of Stores Offering



*To be heated/microwaved at home

Special Services

Percent of Stores Offering



DELI PRODUCTION & SUPPLY

Labor shortages, food safety issues, and consistency problems have made some retailers reevaluate their instore production policies. The result is that many are buying prepared food.

It seems that a majority of deli operators now buy their prepared food items from a foodservice manufacturer, and buy it from a foodservice wholesaler/distributor, and make it instore from scratch.

With the increased sophistication of some items, retailers are having a hard time getting the labor to produce these items consistently, so they turn to foodservice manufacturers to produce it for them. Potential problems of food safety have also caused some retailers to buy more ready-made products. On the other hand, retailers are now more able to make some items themselves, and finish others. That is why the average deli gets its products from a variety of sources.

Commissaries

Percent of Companies Having Company Operated Commissary From Which Stores Order

Have commissary	26%
Do not have commissary	74
Total	100%

Main Function of Commissary

Preparation from scratch ingredients	69%
Ordering from food-service suppliers	31
Total	100%

Sources of Service Deli Salads

Percent of Stores Using

Food-service manufacturer 58%

Food-service wholesaler/distributor 56%

Prepared instore from scratch 53%

13% Prepared in commissary from scratch

15 30 45 60

extra employee, the portion of department sales that goes to labor is down to just 18 percent (from 22.6 percent last year).

More self-service and sales of higher-priced, more profitable items are the primary reasons behind the decrease in labor costs.

Retailers report that a slightly higher percentage of deli employee time is spent in preparing food and maintenance (39 percent) than in previous years. Consequently, employees are required to spend less time waiting on customers (61 percent of the time), giving cre-

dence to the notion that self-service is on the rise.

Same old problem

One problem has plagued deli operators since the beginning of recorded deli operations: how to get more people to shop the deli.

Given the profitability of the section, having only one out of every five store customers purchasing deli products is very disappointing. The tremendous profit potential of the other 80 percent of shoppers is an inviting prospect.

Retailers have not ignored the other four out of five people. They have diverted their energies into self-service, prepared foods, catering, ethnic sections, sit-down areas and all the other permutations of instore foodservice in attempts to lure these diehard shoppers into the deli.

Not much has worked. These sections have increased sales and added profits, but still, only 19.8 percent of all store shoppers make a purchase at one of the deli sections. The good sign is that 19.8 percent represents

an increase in traffic over the 19.2 percent of 1988.

Chances are that some shoppers may never be persuaded to shop the deli. For one reason or another, the deli just doesn't interest them.

But one theory holds that the shoppers we have been trying to reach are actually shopping the deli already. Traditionally, the percentages of deli and non-deli shoppers have been tracked by comparing customer traffic with scanned deli purchases at checkout.

Perhaps many deli customers are simply less frequent deli purchasers than they are store customers. They make purchases from the deli, but only once in every five shopping trips. The other shopping trips

may be smaller visits to the store for staples.

The plausibility of this explanation is backed up by the amount of the average deli transaction. The transactional amount is up to \$4.55, which is up over \$1 from 1988 levels.

If this is truly part of the explanation, then we are missing the boat by trying to convince the "other" store customers to shop the deli. Promotion money may be better spent getting the known deli shopper to increase spending, or making deli or foodservice items into staples that will be purchased on those smaller shopping trips.

Only when we can really track an individual's purchasing habits through the use of EFT or "smart cards" will we be in a better position to see if there really is a significant number of hardcore non-deli shoppers, or

DELI MERCHANDISING & CUSTOMERS

Our present customers are spending a dollar more per visit in the deli. Unfortunately, we still can't get more people to visit our delis, no matter how much extra promotion and advertising we do.

Almost 20% (19.8%) of store customers shop the deli nowadays. This is encouraging, because it is ever-so-slightly more than last year, but it is still far below what most operators would like.

Those that do shop the deli are spending more there. The average deli transaction was up to \$4.55, this is \$1.05 more than the average transaction in 1988. The increased popularity of more expensive prepared foods has increased the size of the average transaction, and helped drive total deli sales up.

Ad and demo allowances from manufacturers are very important to the vast majority of retailers. These are two avenues from which a manufacturer can endear himself to a deli operator.

How Customers Spend

Percent Who Shop the Deli

Mean **19.8%** Median **18.0%**

How Much They Spend

	Mean \$4.55
Under \$2.00	4%
\$2.00 - \$2.99	31
\$3.00 - \$3.99	36
\$4.00 - \$5.99	24
\$6.00 or more	5
Total	100%

Advertising and Promotion Sell Service Deli

Percent Using

Sampling	91%
Newspapers	85
Point-of-purchase	78
Circulars	81
Radio	58
Television	39

Deli's Share of Ad Space Compared to Share of Sales

Greater	35%
Less	35
Equal	30
Total	100%

How Retailers Rate the Promotion and Advertising Help from Deli Suppliers

Excellent	11%
Good	54
Fair	35
Poor	0
Total	100%

Where Retailers Need More or Better Quality Help from Deli Suppliers

	Companies Wanting More Help	Companies Wanting Better Help
Instore demos	81%	46%
Point-of-purchase materials	54%	27%
Deli coupons	50%	23%
Ad allowances	81%	27%

if they were basically a statistical phenomenon all these years.

Future growth

The slowing of deli department growth, both in units and percentage increases, means that the department has to spur renewed growth in some way.

But caution is needed. In their haste to get as much out of deli sales as possible, and to offer the customer convenience as a means of competing with other elements of the food industry, many retailers have

rushed into areas that they are not familiar with.

Many retailers have placed too much of a burden on the deli department, and its management. For one reason or another, all the peripheral prepared food departments have usually been tucked under the deli's wing.

For the short run, this may be the most logical place to put these sections, given the usual operational set-up of a grocery company. It is, however, reminiscent of the days when all the foodservice departments, including deli/bakery, fish and snack bars were under the jurisdiction of the meat department.

Just as deli, bakery and fish evolved into their own disci-

plines, so too will these other sections evolve out of the deli. Should foodservice be its own separate department? Should deli and foodservice be kept together, but divided into hot and cold foods, as is already done in some companies?

The answer depends on what each company sees as its own objectives in the deli/foodservice business. As these services are now set up within most supermarket companies, they may soon reach the point where the number and variety of the services have outgrown the pre-

sent structure.

It is hoped that they will not reach the point of unmanageability that will tarnish the quality of the deli itself.

Some retailers want to do a lot more in terms of foodservice, while others see themselves—and their delis—as still being primarily in the business of selling groceries.

Either of these visions of the purpose of the deli in the particular organization is fine—as long as the vision of the organization shapes the deli, and the deli is not allowed to shape the organization. ■

TARGETING YOUR TRADING AREA

DAIRY

DAIRY (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	+ 8	-17	+ 7	- 2	+ 8	- 7	+ 8	- 4	- 6	-11
American, Pasteurized, Processed Cheese (HU)	18.4	-29	-24	+ 9	- 4	+ 6	-18	+24	+ 4	—	+ 1
Butter	37.4	+21	+12	+ 7	+ 5	-10	+ 5	- 8	- 6	-13	+ 7
Cheese Snacks	17.9	+14	-36	+ 5	-19	+27	+ 1	+15	-26	+ 5	-10
Cheese Spread	25.7	+11	-15	+ 5	- 2	+27	-17	+10	- 4	-10	-36
Cream Cheese	52.8	+23	- 1	+10	+10	+ 5	- 3	- 4	- 1	-21	-22
Dips, Ready-to-Serve	28.8	- 5	-31	+11	-16	+12	- 7	+16	- 2	+ 9	-30
Margarine (HU)	18.7	-22	-14	- 7	-12	+13	-17	+19	+ 7	+10	—
Orange Juice, not frozen	47.8	+ 8	- 7	—	+ 7	- 3	-10	- 1	- 3	—	+15
Dough Products, Refrigerated (HU) (Incl. frozen)	10.1	-37	-57	- 7	-32	-18	-16	+28	- 1	+67	+31
Sour Cream	50.7	+28	- 3	+16	+ 5	+14	- 2	- 2	- 6	-22	-42
Yogurt (HU)	13.6	+47	- 3	+11	+21	+ 9	+ 9	-17	-15	-49	+14
Cottage Cheese	54.9	+ 6	-13	+ 3	+14	- 2	-10	+ 4	+ 6	- 3	-25
Cheese, Natural or Imported (HU)	6.7	+39	-22	+26	+ 4	+15	- 1	+ 5	-17	-38	-24
Milk, Fresh (HU)	28.9	- 9	-20	+ 9	-14	+15	-16	+18	+ 8	+ 1	-33

(HU) = Heavy Users

Supermarkets located in areas where affluent suburban professionals live (Group 1) have long learned the necessity of providing a large, well-stocked dairy department. Products such as sour cream (+28% above average), yogurt (+47%) and natural or imported cheese (+39%) sell better here than among any other group. They do lighten up a bit, however, on usage of margarine and American cheese.

As income rises, consumption of butter tends to increase at the expense of margarine. Margarine shows its best performance among the blue-collar rural families of Group 7, a sector that's also devoted to such basics as American cheese and milk, but below average in yogurt usage.

In addition to selling well in Group 1, imported cheeses of the type often found in service delis are welcome among the white collar families of Group 3 and the younger families of Group 5.

MEAT

REFRIGERATED MEATS (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average -	+ 2	-28	+ 7	+ 2	+10	-15	+ 7	- 7	+10	-13
Bacon/Breakfast Strips (HU)	18.0	-17	-37	-20	-19	+15	-11	+ 1	-11	+48	+42
Cold Cuts (HU)	40.0	-10	-28	+ 5	+ 1	+ 9	- 7	+14	+ 2	+ 5	-24
Comish Hens	10.8	+46	- 7	+16	+ 6	+24	-11	- 4	-23	-27	-18
Frankfurters/Weiners	16.0	-38	-55	-11	- 6	- 2	-10	+23	- 8	+50	+24
Ham, Canned	20.0	- 5	-20	- 1	- 5	+ 2	-28	+ 8	—	+27	+ 4

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

One man's meat is obviously another's nonpurchase. The breakfast specialties, bacon and sausage, find relatively few fans at the upper end of the income scale, but stores with a base of lower-income customers can expect sales to be swift. The pattern is similar for cold cuts, frankfurters and wieners.

Groups 2 and 6 are dissimilar in incomes, but both have a population that's below average in age and likely to live in the West—and both show the lowest average overall rates of consumption of refrigerated meats.

TARGETING YOUR TRADING AREA

REFRIGERATED MEATS

(BASE = FEMALE HOMEMAKERS)

	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Liver Sausage/Liverwurst	11.0	+33	-28	+36	+30	S	-33	+9	16	29	-6
Sausage (HU)	20.7	-34	-31	-9	+3	-3	15	+11	+2	+43	+6
Meat, fresh or frozen (HU)	26.5	-2	-38	+1	+6	+21	-23	+14	+2	+9	-42
Turkey, whole, fresh	8.9	+21	17	+20	+20	+22	-35	-10	+1	16	-26
Turkey, whole, frozen	11.3	+17	-33	+38	-1	+8	6	+1	-10	+3	-60
Chicken, frozen	14.4	+7	-39	+4	-15	+26	+9	+16	-20	+8	-33
Chicken, fresh	49.8	+7	-5	+3	+1	+2	-7	+5	+3		-23

(HU) = Heavy Users

Two unlikely refrigerator-mates, Cornish hens and liverwurst, often share accommodations in the homes of affluent suburban Group 1, along with both turkey and chicken.

PRODUCE

PRODUCE DEPT.

(BASE = FEMALE HOMEMAKERS)

	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+21		+4	+10	+8		+10			
			-18				-16		-6	-12	-19
Fruit, Dried	32.7	+26	-1	+9	+10	-6	-8	-1	-2	-10	-21
Fruit, Fresh (HU)	32.4	+28	-29	+1	+10	+15	-18	+14	-8	-15	-26
Vegetables, Fresh (HU)	30.6	+10	-24	+3	+9	+16	-23	+18	-9	-12	-9

(HU) = Heavy Users

Fresh produce, both fruits and vegetables, exerts the strongest pull among the above-average income members of Groups 1, 4 and 5 and among the average-income blue-collar families of Group 7. At the low end of the income scale, consumption of produce is generally low, as it is among the affluent urban professionals of Group 2.

GENERAL MERCHANDISE

AUTO SUPPLIES

(BASE = ADULTS)

	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average					+7		+18		+15	
		-10	-22	-2	-5		-10		0		-24
Auto Wax/Polish	33.9	-2	-14	+1	+5	+12	-16	+6	+5	+1	-24
Anti-Freeze (HU)	16.9	-6	-27	-4	-13	+18	-21	+27	-2	+18	-36
Gasoline Additives	15.1	-12	-17	-3	-4	-1	+1	+21	-6	+12	-11
Motor Oil (HU)	20.7	+1	-35	+5	-8	+13	-15	+22	-1	+13	-47
Motor Oil Additives	13.9	-29	-15	-8	-7	-5	+1	+13	+3	+33	-3

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

Two geodemographic sectors show the highest predisposition to do it themselves when it comes to the family car. They are the average-income, blue-collar families of Group 7, who tend to live in rural areas, and their lower-income equivalents in Group 9.

Higher-income groups presumably prefer to have others service their cars, accounting for their below-average usage of auto supplies. The lowest-income urban members of Group 10 have a low rate of car ownership that correlated with their disinterest in auto supplies.

TARGETING YOUR TRADING AREA

GENERAL MERCHANDISE (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+18	+6	+10	+2	+15	-5	+2	-8	-19	-29
Batteries* (HU)	16.7	+9	+8	+17	-7	+26	-24	+1	-8	-9	-24
Film (HU)	21.1	+31	+29	+18	+1	+13	+1	+2	-11	-39	-42
Panty hose**	64.0	+11	+5	+7	-3	+4	-4	+1	-8	-5	-7
Plant Food, Indoor*	28.5	+27	-4	+10	+18	+9	-15	-4	-17	-1	-21
Video Tapes, Purchase (HU)	9.3	+13	-25	+18	-15	+35	-25	+4	-3	-18	-20
Writing Instruments	43.8	+8	-3	-1	-4	+5	+4	+5	-4	-5	-12
Greeting Cards (HU)	25.4	+16	+10	+9	+17	-1	+4	-9	+1	-18	-30
Microwave Cookware, Disposable	8.0	+37	+2	+10	+10	+25	-33	+11	-8	-26	-53
Microwave Cookware, Reusable	43.3	+7	-	+12	+10	+25	-18	+8	-5	-16	-49
Self-Stick Notes, Removable*	19.6	+48	+26	+18	-2	+21	+2	+7	-20	-39	-59
Audio Tapes	31.8	+16	+16	+9	-6	+20	+6	+1	-9	-31	-18
Video Tapes, Rental	46.1	+12	-4	+9	-	+28	+1	+5	-13	-18	-38
Watches	19.4	-3	-	+4	-5	-1	+21	+5	-7	-4	-15
Books (HU)	15.5	+26	+26	+2	+15	+4	+15	-8	-5	-37	-21

(HU) = Heavy Users *Female Homemakers **Women

This grab bag of general merchandise product categories demonstrates that the best opportunities for GM departments (and for store formats such as combination stores) can be found in areas with average to above-average incomes. Given that, a careful selection of just which categories should be given display preference within which geodemographic environments is critical.

Starting at the top of the income heap, the wealthier professionals of Groups 1 and 2 can be counted on to patronize sections featuring film, books, greeting cards and self-stick removable notes. Those living in the suburbs will show a greater interest in products such as indoor plant food, microwave cookware and video rentals than will those in the city.

The young families of Group 5, found mostly in the suburbs, are avid buyers and renters of videotapes, and will also stock up on a range of other GM merchandise, including batteries, film and microwave cookware.

HEALTH & BEAUTY AIDS

BABY/CHILDREN'S HBA (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	-19	-34	-11	-18	+23	-8	+23	-10	+14	+13
Baby Lotion	13.7	-32	-29	-28	-22	+28	+1	+19	-8	+27	+24
Baby Oil	20.0	-18	-15	-8	-16	+13	+5	+17	-10	+16	-5
Baby Ointments	11.8	-22	-35	-3	-6	+16	+4	+25	-13	-9	+23
Baby Powder	24.4	-10	-27	-4	-20	+6	+5	+7	-6	+17	+20
Baby Soap	16.5	-12	-35	-10	-16	+22	-2	+13	-10	+20	+4
Bath, Liquid	6.5	-19	-57	-6	-31	+38	+19	+31	-35	+8	+26

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

The younger, above-average-income families of Group 5 and the blue-collar, average-income families of Group 7 demonstrate above-the-norm usage across all 11 Baby/Children's HBA product categories. Group 5 has a higher incidence of children in the home (52.5%, which is 26% above the national rate) than any other, explaining its leadership in usage of such children's products as cold remedies and vitamins.

The low-income urban blacks of Group 10 show particularly strong loyalty to baby lotion, baby ointments, baby powder, liquid baby bath and baby's soap, suggesting the need for stores in this area to assign generous shelf space to these categories.

TARGETING YOUR TRADING AREA

BABY/CHILDREN'S HBA (BASE = FEMALE HOMEMAKERS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Children's Cold Tablets/Liquids	14.8	-17	-29	-6	-23	+34	-30	+31	-6	+3	+11
Children's Cough Syrup	14.9	-27	-36	-13	-23	+26	-31	+24	+7	+22	+11
Children's Fever Reducers/ Pain Relievers	24.9	-14	-46	-5	-19	+31	-16	+27	-9	+16	-14
Soap, Baby's	8.4	-36	-23	-22	-17	+10	-2	+28	-7	+22	+31
Vitamins, Children's	14.7	-3	-38	-21	-9	+31	-37	+34	-17	+15	+17

The higher-income Groups 1 through 4 are weak consumers of baby and children's products—particularly the urban professionals of Group 2, who can be expected to wheel their shopping carts past this aisle quickly.

FIRST AID/SKIN CARE (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average		+ 2			+ 4			-	+ 1	
	-	- 5		- 1	0		- 1	0			- 1
Athlete's Foot Remedies (HU)	3.5	-7	-9	-1	+25	+18	+7	+12	-5	-42	-3
Adhesive Bandages (HU)	16.8	-15	+7	-11	-8	-11	-1	+1	+18	+18	-3
Cotton Swabs* (HU)	23.3	+29	+24	+8	+14	+17	-11	+6	-17	-20	-47
Body Powder (HU)	7.7	-36	-15	-9	-8	-35	-6	-15	+22	+42	+85
First Aid Products	17.3	-13	+4	-9	-9	-11	-4	+8	—	+29	+8
Lip Balm (HU)	9.9	+4	+5	+13	-10	+13	+17	-16	-14	-5	+4
Sunburn Remedies	17.1	-5	+4	+6	-6	+14	-8	+10	+5	-8	-31
Sunscreen/Suntan Products (HU)	11.6	+22	+16	+14	+15	+18	-5	+5	-5	-41	-50
Wart/Cor Removers	6.4	-26	-14	-18	-14	+13	+5	-11	+2	+35	+30

(HU) = Heavy Users *Female Homemakers

Women in upper-income households, particularly the professionals of Groups 1 and 2, are frequent purchasers of cotton swabs. Allegiance to swabs shows an almost parallel drop to that of household income.

The pattern is reversed for body powder, which registers almost double the national rate of usage among the low-income, urban blacks of Group 10.

The more prosperous groups are the most likely to use sunscreen and suntan products, with only meager usage reported by the low-income constituencies of Groups 9 and 10.

COSMETICS (BASE = WOMEN)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average	+ 16				+ 9	+ 5	+ 2	+ 1		
	-		0	- 2	- 4					- 20	- 9
Blusher (HU)	10.0	+37	-1	-6	-18	+22	+20	-7	+5	-46	-7
Complexion Care Products (HU)	10.4	+12	-5	-4	+15	+1	+20	-1	-7	—	-38
Face Creams/Lotions	69.3	+4	—	+1	+3	+1	-4	-1	—	—	-7
Face Powder, Loose	31.6	+4	—	-13	+1	-1	+10	—	+7	—	-9
Facial Toners	28.5	—	-11	-6	+1	+10	+14	-2	+4	-3	-17
Foundation Makeup (HU)	8.1	+34	-20	-9	-7	-6	+10	-1	+11	-12	-19

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

Women living in Group 1 areas, defined as wealthy, suburban and professional, show a strong commitment to keeping up personal appearances, judging by their above-average usage of almost every cosmetics product category. In the case of lipstick, for example, the incidence of heavy users in Group 1 is 60% above the national average. The only relatively soft lines are nail polish and nail polish removers.

The high-income urban professionals of Group 2 show more interest in nail polish, along with eye shadow and eye liner. Group 2 boasts the highest rate of working women.

TARGETING YOUR TRADING AREA

COSMETICS (BASE = WOMEN)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Eye Liner	43.6	+17	+15	+6	-1	+16	-2	-1	-9	-23	-8
Eye Shadow (HU)	10.3	+39	+4	+5	-11	+32	-3	+19	-2	-50	-60
Lipstick/Lip Gloss (HU)	24.3	+60	+8	+10	+1	+18	-13	-1	-13	-32	-46
Mascara (HU)	6.1	+24	-5	-27	-19	+23	+21	+37	+14	-56	-41
Nail Polish (HU)	9.3	-2	+15	+5	-28	+18	+1	-7	-6	-38	+77
Nail Polish Remover (HU)	8.8	-10	—	+5	-24	-1	-28	-4	+6	-5	+79
Perfume/Cologne (HU)	19.9	-4	-14	+13	+16	-3	+2	-5	—	-14	+8
Pressed Powder	28.8	+5	+15	+9	-9	—	-1	+8	+2	-8	-26
Facial Cleansers (HU)	10.1	+23	+1	-16	+18	+3	+25	-11	+6	-18	-28

(HU) = Heavy Users

The low-income, rural, blue-collar members of Group 9 show the least interest in cosmetic products that highlight eye or nail appearance. Overall, in fact, this group has the lowest usage rates for the cosmetics department.

The picture is similar for the low-income, urban blacks of Group 10, except for their dramatically high rates of usage for nail polish (77% above the national average) and nail polish remover (+79%).

HAIR CARE, MEN'S (BASE = MEN)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average					+1		+3		+15	+13
	-	-10	-4	-3	-3		-3		-5		
Hair Conditioners (HU)	22.9	-5	+4	-3	-12	+10	+26	+10	-8	-6	-29
Hair Coloring	7.0	-8	-35	+3	+27	-2	-23	-2	-5	+26	+6
Hair Tonic/Dressing	18.4	-33	+2	+10	-11	-24	-12	-3	-13	+54	+70
Hair Sprays	29.9	-1	+7	+8	+1	—	-11	+6	—	-2	-11
Shampoo (HU)	53.4	+11	+3	+3	-2	+15	+6	+4	-8	-18	-23
Hair Conditioning Treatment	8.5	-37	-14	-35	-10	+1	-8	-2	-18	+63	+108
Hair Mousse	13.7	+4	+6	-5	-15	+8	+1	+6	+15	-10	-31

(HU) = Heavy Users

Hair spray and shampoos are the only two product categories here that promise consistent above-norm performance in areas populated by men in households with above-average income. The men in the close-to-average-income households typified by Groups 5, 6 and 7 tend to be slightly younger than others, and are good prospects for a well-stocked assortment of conditioners.

Both hair conditioning treatments and hair tonics and dressings show robust usage patterns in Groups 9 and 10, which have a high proportion of black men.

Group 4 is above average in incidence of over-65, presumably gray-haired men, explaining its leadership in hair colorings for men, shared with the similarly seasoned men of Group 9.

HAIR CARE, WOMEN'S (BASE = WOMEN)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average				+2	+6	+5	+3		+3	—
	-	-2	-5	-10					-2		0
Depilatories	14.5	-14	+36	-34	-3	-9	+7	+2	+3	+28	+15
Hair Coloring	24.1	-2	+4	-8	+10	-3	-3	+9	-10	—	+17
Hair Conditioners (HU)	36.3	+13	+9	+5	+2	+12	+20	+1	-11	-20	-29
Hair Mousse (HU)	10.6	+21	-11	-6	+5	+3	+5	+18	—	-25	-25

(HU) = Heavy Users

Women who belong to the white-collar families of Group 3 are, overall, the poorest prospects for a supermarket's hair care section, with the exception of two basics, shampoo and hair spray. Hair sprays are not as popular with the affluent professionals of Group 1 and 2, although they do share Group 3's taste for above-average usage of shampoo.

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
7. Average income, blue-collar families, rural
8. Low income, older, few children
9. Low education, low income, rural, blue-collar workers
10. Very low income, urban, blacks, apartment dwellers

Note: For a full description of these groups, see pages 22-23.

TARGETING YOUR TRADING AREA

HAIR CARE, WOMEN'S (BASE = WOMEN)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Hair Styling Gels/Lotions (HU)	8.9	+ 4	-19	-18	+12	+46	+17	-18	- 9	- 7	-16
Hair Sprays (HU)	12.1	- 6	-19	+ 8	+13	+12	- 3	—	+27	-27	-41
Home Permanents	15.6	-40	-51	-33	- 8	-19	-18	+22	+ 1	+78	+44
Shampoo (HU)	42.9	+12	+ 7	+10	+ 4	+14	+20	+ 4	-12	-31	-28
Hair Conditioning Treatments	18.5	- 6	+ 1	-11	-23	- 2	+ 1	-15	-11	+30	+66

(HU) = Heavy Users

MISC. WOMEN'S HBA (BASE = WOMEN)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average					+ 7		+ 5		+ 3	
		- 8	- 4	- 3	0		- 1		- 1		- 3
Bath/Shower Additives (HU)	13.7	-34	-27	-22	- 6	-12	- 4	+ 3	+10	+56	+23
Body/Hand Creams/Lotions/ Oils/Moisturizers (HU)	37.0	+ 5	- 5	- 1	+ 3	+ 8	+ 6	- 7	- 9	+ 1	+ 4
Body Sprays, Deodorizers/ Colognes	12.9	-45	-25	-28	-28	—	+14	+13	+ 9	+26	+65
Fem. Hygiene Deodorant Sprays	14.0	-45	-11	-23	- 7	- 8	- 9	+20	- 4	+35	+60
Fem. Hygiene Douches/ Suppositories	29.2	-40	-13	- 8	-21	+ 2	-13	+26	- 6	+34	+28
Medicated Skin Ointment (HU)	7.5	+ 7	-14	+ 7	+ 1	+13	—	- 6	+10	- 1	-45
Premenstrual or Period Pain Remedies	15.3	+ 3	+ 7	-12	-31	+ 8	+22	+18	-11	- 6	+ 6
Razor Blades	21.9	- 1	+11	+12	+ 4	+ 6	-13	+ 2	- 8	- 4	- 5
Razors, Disposable (HU)	17.7	-10	+20	—	+ 9	+17	+14	+13	- 9	-25	-24
Sanitary Napkins (HU)	18.9	- 2	+ 2	+ 5	+12	+ 9	+ 2	+ 6	- 3	-18	-18
Shaving Cream/Gel	24.7	-15	- 4	- 8	+11	- 3	—	—	+24	+ 2	-24
Soap, Personal Care, Bar (HU)	29.4	+15	—	+ 3	+28	+ 3	-10	+ 1	- 5	-10	-32
Soap, Personal Care, Liquid (HU)	19.8	+30	+10	+10	+23	+24	-14	- 1	-11	-30	-47
Tampons (HU)	10.6	+19	- 7	+14	- 5	+32	- 9	- 6	- 7	-13	-36

(HU) = Heavy Users

ORAL HBA (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+/- % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
	+ Average				+ 3			+ 1	+ 3	+13	+20
		-15	- 6	- 4		- 6	- 7				
Breath Fresheners (HU)	11.2	-21	-13	+ 6	+11	- 6	+ 3	+ 6	- 1	+ 2	+10

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups see pages 22-23.

Groups 9 and 10, with their large base of blacks, show distinctive usage patterns, with an avid interest in home permanents and hair conditioning treatments, as well as depilatories, but lackluster usage of other categories, particularly hair sprays and shampoo.

The expanded HBA sections of today's supermarkets provide a perfect setting for providing the optimum mix of the many product categories that make up women's health and beauty aids. But careful editing of product mix is necessary, as products that move quickly off the shelves of a store shopped by one geodemographic group may gather dust on another's.

Both liquid and bar personal soaps, for example, sell well at the upper end of the income scale, but are washouts among those with below-average incomes. The situation turns around for feminine deodorant sprays and douches/suppositories, with lower-income women showing rates of usage significantly above the national average, while their affluent sisters disdain these categories.

Disposable razors find most favor among the affluent urban professionals of Group 2, the geodemographic indicator which happens to have the greatest presence of working women.

The Oral HBA department has one of the greatest rates of variation in usage among the various demographic groups, confirming the need for extra-careful space allocation. Both denture categories, for example, are washouts among the affluent professionals of Group 1 and 2, who presumably can afford attentive professional dental care to maintain and retain their teeth. But all three of the lowest-income groups are above-average buyers of denture products.

TARGETING YOUR TRADING AREA

ORAL HBA (BASE = ADULTS)	PERCENT WHO USE (1989)	USE BY GEODEMOGRAPHIC GROUP (+ / - % VS. TOTAL U.S.)									
		1	2	3	4	5	6	7	8	9	10
Canker Sore/Gum/ Toothache Remedies	19.2	-24	-5	-8	-8	-9	+2	+1	+4	+26	+23
Dental Floss (HU)	8.2	+11	+15	-6	+10	+9	+15	-15	-10	-12	+5
Dental Rinse	17.3	-3	-6	-8	-8	+12	-14	+8	—	+7	+3
Denture Cleaners	16.3	-44	-34	-13	+11	-25	-8	+1	+32	+42	+15
Denture Adhesives/Fixatives	5.8	-49	-27	—	+13	-29	-25	-3	+31	+51	+18
Mouthwash (HU)	14.5	-8	—	-15	+10	-6	-14	+5	+5	+14	+16
Toothbrushes (HU)	18.8	-8	-2	+6	-10	—	-13	+10	-8	-5	+44
Toothpaste (HU)	16.5	+7	—	+7	+7	+7	+6	-6	-8	-15	+3
Tooth Polish	10.4	-6	+9	-4	-10	-11	-18	+5	-18	+24	+66

Mouthwash sells somewhat better among low-income inhabitants of neighborhoods with Group 9 and Group 10 characteristics.

REMEDIES/MISC. HBA		USE BY GEODEMOGRAPHIC GROUP (+ / - % VS. TOTAL U.S.)									
(BASE = ADULTS)	PERCENT WHC USE (1989)	1	2	3	4	5	6	7	8	9	10
	+ Average -			+ 2					+ 4	+18	+ 8
		-11	-16		- 6	- 2	- 9	0			
Asthma Relief Remedies (HU)	2.8	-23	-12	+11	-11	+11	-33	+18	-29	+29	+46
Cold/Sinus/Allergy Remedies (HU)	13.3	- 6	- 1	- 7	-13	+ 5	-13	—	+18	+ 7	- 2
Cough Syrup (HU)	7.1	-29	-19	- 1	-10	-14	-32	+17	+ 8	+43	+23
Diet Pills	4.7	+ 1	-30	+14	-15	+ 3	+14	+10	-21	+25	-34
Diarrhea Remedies	18.7	-22	-14	- 2	-17	- 6	-20	+18	- 1	+31	+22
Eye Drops/Eye Wash (HU)	9.9	- 2	-27	- 9	—	—	+ 4	- 2	+14	- 5	+16
Headache Remedies/Pain Relievers (HU)	35.4	-12	-16	+ 3	+ 5	- 4	- 9	- 1	+14	+11	-11
Indigestion Aids/Upset Stomach Remedies (HU)	12.9	-15	-13	-10	+15	-12	- 3	+ 4	+23	+16	-30
Hemorrhoid Remedies	12.5	-22	-19	+ 7	+ 4	- 9	- 4	- 4	+ 6	+36	-15
Laxatives (HU)	4.7	-22	-30	-20	- 4	-32	+12	+ 8	+23	+30	+26
Nasal Sprays (HU)	3.8	- 6	-45	+ 9	- 1	+ 9	-14	- 2	- 8	+23	+ 9
Sleeping Tablets	3.3	-25	-18	+ 3	-17	-14	+ 6	+ 5	+ 3	+25	+30
Throat Remedies (HU)	4.3	-27	-13	-10	—	—	-17	-13	-10	+35	+90
Pain Relieving Rubs/Liquids (HU)	7.5	-38	-45	- 9	-22	- 7	- 5	-19	+23	+76	+12

But in the case of diarrhea remedies and laxatives, HBA managers can expect relatively lukewarm shopper interest for stores located in areas characterized by above-average income. Both do extremely well in lower-income areas, however, peaking with the less-educated, rural, blue-collar workers of Group 9. That so many remedies, including cough syrup and throat remedies, as well as pain-relieving rubs and liquids, score so well with lower-income consumers may in part reflect their greater reliance on self-medication rather than the health-care system.

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

TARGETING YOUR TRADING AREA

REMEDIES/MISC. HBA

(BASE = ADULTS)

PERCENT
WHO USE
(1989)

USE BY GEODEMOGRAPHIC GROUP
(+/- % VS. TOTAL U.S.)

		1	2	3	4	5	6	7	8	9	10
Vitamin Tablets/Capsules/ Liquids (HU)	4.6	+43	+13	+36	+1	+7	-16	-16	-1	-46	-18
Contact Lenses, Soft, Daily Wear	5.4	+36	+39	+16	-7	+36	-8	-22	-1	-48	-31

(HU) = Heavy Users

All kinds of vitamins and aids to contact lens wear can be expected to move well in stores serving affluent Groups 1, 2 and 3.

SKIN CARE/SHAVING, MEN'S

(BASE = MEN)

PERCENT
WHO USE
(1989)

USE BY GEODEMOGRAPHIC GROUP
(+/- % VS. TOTAL U.S.)

		1	2	3	4	5	6	7	8	9	10
	+ Average		+ 2					+ 3		+ 5	+ 5
	-	- 2				- 2	- 6		- 1		
Aftershave Lotion/Cologne (HU)	13.5	+1	+6	+8	+2	-15	-3	+4	-3	+7	-2
Complexion Care Products	19.3	-13	-5	-13	+7	-	+3	-	+12	+5	-5
Disposable Razors (HU)	30.8	-1	-1	-3	-4	-4	+12	-3	+2	+10	-14
Electric Shavers	34.2	+8	-7	+3	+8	+3	-4	+10	+2	-18	-19
Facial Cleansers	16.7	-2	-9	-18	-2	+8	+6	+6	+7	+1	-10
Facial Toners	8.3	-10	-20	-7	-7	-1	-1	-4	-9	+36	+29
Body/Hand Creams/Lotions/ Oils/Moisturizers (HU)	14.5	-8	+4	+3	+5	-9	-26	+7	-19	+22	+56
Medicated Skin Ointment (HU)	5.2	-11	-1	-2	-14	-18	-2	+16	-16	+42	+13
Pre-Electric Shave Lotion	11.7	-16	-1	-9	+5	-14	-17	+12	+24	-	+11
Razor Blades	37.8	+5	-15	+9	-4	+8	-1	-1	-7	-	-6
Shaving Creams/Gels	60.0	-3	-5	-	-4	+4	+4	-4	+2	+4	-7
Soap, Personal Care, Bar (HU)	28.0	+3	+5	-2	+6	+5	-13	+4	-	-8	+5
Soap, Personal Care, Liquid (HU)	12.7	+22	+20	+20	+11	+14	-30	-2	-8	-38	+9

(HU) = Heavy Users

1. High education, very high income, suburban professionals
2. Urban, mobile professionals, high income
3. High income, homeowners, white-collar families
4. High income, older, white-collar workers
5. Younger, high mobility, high income

6. Younger, mobile, low income, few children
 7. Average income, blue-collar families, rural
 8. Low income, older, few children
 9. Low education, low income, rural, blue-collar workers
 10. Very low income, urban, blacks, apartment dwellers
- Note: For a full description of these groups, see pages 22-23.

Just which HBA items are applied to that grizzly face in the mirror every morning varies significantly among various geodemographic groups, confirming the importance of setting this section according to local usage patterns.

Disposable razors show best acceptance among the younger men who make up Group 6, many of whom are urban apartment dwellers. Regular blades and electrics show across-the-board appeal, except for a weakness for electrics among low-income men of Groups 9 and 10.

These two low-income groups, however, are strong adherents of a variety of men's skin care products, including facial toners, medicated skin ointments and all kinds of lotions, oils, and moisturizers for both hands and body.

New liquid soaps have gain strong acceptance among men living in higher-income neighborhoods, typified by Groups 1 through 5.

HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 11/3/89	4 WEEKS ENDING 12/1/89	4 WEEKS ENDING 12/29/89
BABY NEEDS	- 0.3%	+ 1.0%	+ 1.8%
Baby Powders	+ 10.8	+ 7.1	- 2.1
Baby Oils, Creams & Lotions	- 6.8	- 2.8	+ 2.5
Infant Clothes	- 12.4	- 4.9	- 2.7
Nursing Supplies	+ 3.9	+ 3.4	+ 3.2
PERSONAL NEEDS	+ 20.9%	+ 23.2%	+ 20.7%
Contraceptives	+ 14.8	+ 23.7	+ 22.6
Personal Lubricants	+ 17.4	+ 18.3	+ 20.2
Home Testing Kits	+ 32.6	+ 22.3	+ 11.3
Thermometers	+ 39.4	+ 25.4	+ 22.9
DEODORANTS	- 2.2%	+ 0.5%	- 0.6%
Sprays	- 12.3	- 7.9	- 9.6
Roll-Ons	- 7.1	- 1.3	- 5.8
Stick Deodorants & Pads	+ 5.0	+ 1.9	+ 4.8
Creams	- 5.8	- 3.9	- 6.5
Deodorants & Talcum Powders	- 0.3	+ 9.9	+ 1.1
Feminine Hygiene			
Deodorants	- 13.7	0	- 6.2
Roll Deodorants &			
Athlete's Foot Remedies	+ 6.4	+ 6.0	+ 1.6
Feminine Douches	- 0.3	+ 10.5	+ 6.1
FIRST AID	+ 2.4%	+ 7.7%	+ 3.4%
Antiseptics	+ 1.2	+ 3.9	+ 4.2
First Aid Products	+ 2.3	+ 7.2	+ 2.8
Elastic Goods & Dressings	+ 76.3	+ 98.1	+ 55.9
HAIR CARE NEEDS	+ 1.4%	+ 3.8%	+ 1.5%
Shampoos	+ 2.6	+ 6.4	+ 3.0
Hair Sprays	- 1.7	- 2.5	- 3.5
Hair Conditioning Rinses	+ 4.3	+ 8.2	+ 6.3
Hair Setting Needs	+ 6.5	+ 12.9	+ 9.3
Home Permanent Kits	+ 1.6	- 9.2	- 4.4
Hair Coloring	- 5.3	- 2.0	- 4.5
Hair Dressing Needs	- 7.1	- 8.1	- 7.9
ORAL HYGIENE	- 0.6%	+ 1.6%	- 2.1%
Toothpastes & Powders	- 1.5	- 0.6	- 4.6
Mouthwashers	- 0.6	+ 3.6	- 1.4
Breath Fresheners	+ 6.4	+ 8.7	+ 4.2
Denture Cleaners	- 9.4	- 7.3	- 10.9
Denture Adhesives	+ 0.6	+ 0.1	+ 4.2
Toothbrushes	+ 5.7	+ 10.6	+ 5.7
Dental Aids	- 2.2	+ 5.8	+ 10.1
PROPRIETARY REMEDIES	+ 2.0%	+ 1.1%	+ 2.8%
Antacids	- 2.9	- 0.2	- 3.1
Internal Analgesics	- 2.1	+ 1.3	+ 0.7
External Analgesics	+ 0.3	- 2.3	+ 14.2
Cold Remedies	+ 6.0	+ 4.1	+ 12.3
Nasal Sprays/Drops/Inhalers	+ 4.1	- 3.7	+ 6.2
Chest Rubs	- 8.1	- 2.0	+ 5.7
Cough Remedies	+ 9.3	- 1.0	+ 5.1
Laxatives	+ 3.9	+ 3.3	+ 2.6
Sleeping Aids	+ 5.0	+ 2.3	+ 0.7
Tranquilizers	+ 1.6	+ 1.7	- 5.8
Eye Care Products	+ 4.2	+ 6.8	+ 3.5
Appetite Suppressants	- 18.6	- 22.5	- 21.4
Synthetic Vitamins	- 1.8	+ 2.1	- 1.1
Natural Vitamins	+ 8.6	+ 11.2	+ 6.1
SHAVING NEEDS	- 2.3%	- 1.7%	- 2.8%
Shaving Creams	+ 4.2	- 2.8	+ 0.4
Pre-Shave Lotions	- 4.8	+ 8.2	+ 5.1
After-Shave Lotions	- 7.0	- 0.5	+ 2.5
Razor Blades	- 4.9	- 3.1	- 5.4
Razors & Blades	+ 25.8	+ 28.7	+ 30.3
SKIN CARE AIDS	- 4.4%	- 1.4%	+ 3.3%
Hand & Body Creams & Lotions	- 5.9	- 4.5	+ 0.4
Facial Preparations	0.0	+ 3.2	+ 3.8
Lip Care Products	- 8.3	- 9.1	+ 9.8
Suntan Lotions & Oils	- 30.3	+ 4.9	+ 11.6
Cosmetic & Medicated			
Skin Aids	+ 2.4	+ 4.7	- 0.7
TOTAL ALL CATEGORIES	+ 0.4%	+ 1.0%	+ 1.3%

STRONG 1989 FINISH FOR HBA UNIT SALES IN FOOD STORES

Four-week dollar increase of 6.8% is second only to 10.5% gain for refrigerated foods, as two-thirds of HBA categories gain.

BY ALAN B. MILLER, JR.

During the final Arbitron SAMI 28-day reporting period of 1989, sales in all 57 HBA product categories combined reached \$714 million, representing a gain of 6.8% over the corresponding period in 1988. On a unit measurement basis, the increase amounted to 1.2%, slightly less than the 1.5% improvement during the preceding four-week period, but a better showing than the 1.0% loss for the full year.

Volume down 1% in 1989

Unit volume in all five SAMI departments combined advanced a scant 0.6%, led by a unit sales increase of 1.9% for refrigerated foods. Two departments, however, ended the year with a downward trend: health and beauty aids (-1.0%) and dry grocery nonfood (-0.1%).

During the same four-week period, HBA unit sales through drugstores in the same 57 product categories were only 0.5% ahead of last year. On a full-year basis, HBA sales in drugstores showed a slightly better trend than in food stores, since they were 0.1% below 1988 in drug outlets, but a full percentage point behind in food stores.

In December there were six HBA product groups with unit volume gains and three with losses. The best showing was the 20.7% increase in the newest product group—miscellaneous personal needs—where such items as contraceptives, home testing kits and clinical thermometers are found.

The poorest showing by a product group was the 2.6% loss for shaving needs. But volume stemming from the new Gillette Sensor Blitz in January, 1990, should be sufficient to push this product group into the plus column when the first returns of the new year are tabulated.

In all, there were 38 categories with four-week unit volume gains and just half as many showing unit volume losses.

The strongest percentage improvement was the 55.9% advance for elastic goods and dressings; but this increase was aided by the addition of new items which were not counted in the previous year's tracking.

In the baby needs product group, the gains and losses were split evenly, with losses for baby powders (-2.1%) and infant clothes (-2.7%), but gains for both baby oils, creams and lotions (+2.5%) and nursing supplies (+3.2%). There were no new million-dollar-a-year brands in the product group in 1989, and the best major brand tonnage gain was achieved by Mennen's Baby Magic.

All four of the categories in miscellaneous personal needs product group showed increases, ranging from +22.9% for clinical thermometers to +11.3% for home testing kits.

Equal numbers of categories had gains and losses in the personal deodorants product group. The highest loss rate was -9.6% for spray deodorants, where the only two million-dollar brands exhibiting gains were Lever Bros' Impulse and the brand with the unlikely name of Irresistible Imposter.

Roll-ons were also weak overall (-5.8%), but there were some bright spots on a major-brand basis, including Mitchum and Lady Mitchum, as well as Arrid Extra Dry Glide-On and Soft & Dri. The two deodorant categories with the strongest showings were feminine douches/washes/powder (+6.1%) and stick deodorants and pads (+4.8%). The only major new brand of deodorant during the year was Faberge Power Stick. The primary reason for a 6.2% decline for feminine hygiene deodorants was the reaching into maturity of Massengill towellelettes, which were enjoying introductory strength a year earlier.

All three first aid product categories trended upward, and each ended up the full year with

gains. The four-week gain for antiseptics (4.2%) was aided by a strong upsurge for both Neosporin and Cortizone 5. First aid products improved 2.8% over last year, helped in part by the roll-out of Mickey and Pals and strong private label activity.

New shampoos help category

Only three of the seven categories of hair care needs tracked by Arbitron SAMI showed gains, but strong showings by shampoos (3.0%) hair conditioning rinses (6.3%) and hair setting needs (+9.3%) were sufficient to cause product group growth of 1.5%.

In the shampoo category, both Pert Plus and Pert displayed strength, and three new products contributed added sales: Rave, Nutrasome and Bold Hold.

Some of the brands responsible for the upsurge of 9.3% in the hair setting needs category were L'Oreal Studio, Salon Selectives, Finesse, Vita Care, Bold Hold and La Looks.

The oral hygiene product group suffered a drop of 2.1% for the four-week and a 2.1% decline for the full year. A 4.6%

decline for toothpastes and powders can be faulted for the product group's overall weakness. The special products for children have not demonstrated staying power, and there were no important new dentifrice brands launched during the year. Both the Regular Gel and the Tartar Control versions of Close-Up have done well, and Arm and Hammer Dental Care has enjoyed a good growth year.

Mouthwash unit volume receded 1.4% despite a share increase for Listerine and the introduction of Plak Attack in 30 Arbitron SAMI markets. Denture cleaners had reduced volume (-10.9%), but four-week sales of denture adhesives were 4.2% ahead of the year-ago rate. The highest major-brand volume increase rates in the toothbrush category are being accomplished by Oral-B Ultra, Colgate Plus, Prevent and Pepsodent.

A significant portion of the increase in the dental aids category comes from private label items of dental floss. Arbitron SAMI is now tracking 15 rather than 14 categories of proprietary remedies. Such products as

boric acid, epsom salt, witch hazel and rubbing alcohol have been removed from external analgesics and made into a separate miscellaneous category, which will begin to appear in next month's column.

Cold remedies are hot

As a result of a bumper crop of coughs and colds at the end of 1989, there were unit volume gains in 10 categories of proprietary remedies. The categories with double-digit gain rates were external analgesics, where doubling of sales of Bristol-Myers' Mineral Ice helped to bring about a category advance of 14.2%, and cold remedies, which benefitted from the roll-out of Theraflu and the national launching of Co-Advil.

The 21.4% decline for appetite suppressants in traceable to the wide acceptance of Slim Fast and Ultra Slim Fast in the measured diet meals shelf-stable foods category. The only major new product on the vitamin front was Johnson and Johnson's national launch of Sesame Street.

The 2.6% loss rate in the shaving needs product group

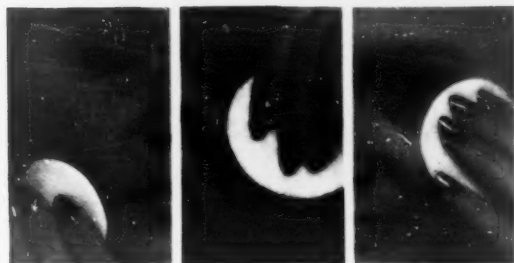
can be blamed entirely on reduced sales of razor blades, which is the highest-volume category in the group. There have been four major new product launchings in the product group during the year: Soft Sense Shaving Cream, Edge After Shave Lotion, Wilkinson Ultra Glide Razor Blades and Schick Slim Twin razor sets.

Among razor blades, there was strong growth for Gillette Trac II Plus and Daisy Ladies Plus. Gillette Foamy is exhibiting strength within the shaving creams category.

All but one of the five categories of skin care aids had volume gains during the final reporting period of the year. There was a loss of less than 1% for cosmetic and medicated skin aids, as some of the acne medications had weak sales.

The best trending in this product group was for lip care products, a category in which sales of Chapstick, Blistex, Blistik and Carmex enjoyed vigorous sales. Facial preparations were up 3.8%, thanks in good measure to Oil of Olay Lotion, Night of Olay, St. Ives and Clean and Clear. ■

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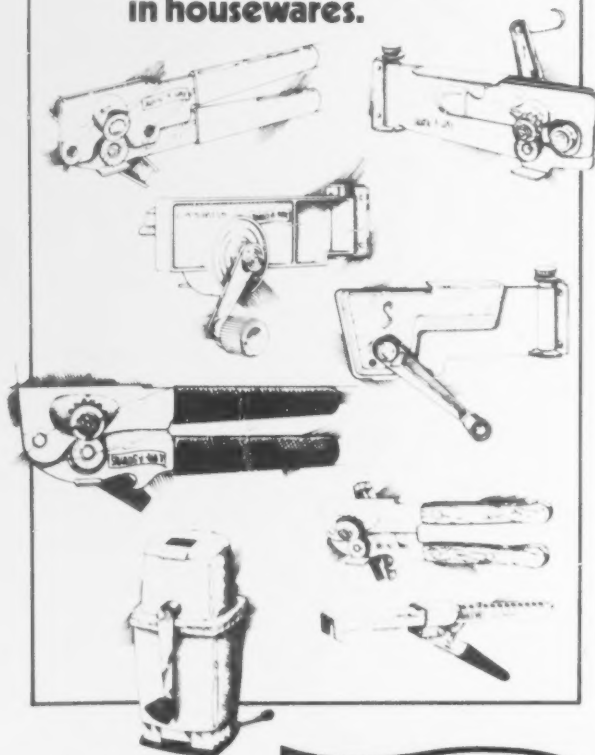
Swispers will be introduced through a coordinated program that will include consumer advertising, in-store displays, promotions and sampling.

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VOLUME 45 NUMBER 4
APRIL 1990

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SUPERMARKET BUSINESS

APRIL 1990 VOLUME 45/NUMBER 4

FEATURES

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Will supermarkets find gold in the "Green" issue? Loblaw, Wal-Mart and others think so. But marketers of Green products must cope with a lack of consensus among experts on the best ways to help the environment.

FROM MERCHANDISE TO MARIACHI, ALL THE STORE'S A STAGE DAVID LITWAK

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A new Houston Fiesta Mart lives up to its name—and attracts customers—with a thematic setting that makes shoppers feel they are at a party in Old Mexico.

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AT SHOP N BAG: NEW TEST OF AN OLD IDEA MIKE DUFF

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Just because a merchandise concept was unsuccessful 20 years ago doesn't necessarily mean it won't work today.

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SERVICE BAKERY: EIGHTH ANNUAL OPERATIONS REVIEW

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DAVID LITWAK AND JANET TORRES CEPEDA

More units are operating, and sales are higher ... but the rate of growth has declined from its 1988 peak.

PREPARING FOOD ELAINE READER

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Cover Photo: DiMicco/Ferris Studio



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AN IMMODEST PROPOSAL



By Ken Parich,
Editor-in-Chief

Let's put a value on garbage. Once again, I am convinced that if we all put our minds to it we can find a way to employ the message of Adam Smith: that the free market system can show us the way. Put a value on garbage and it will find a market.

For example, all supermarkets engage renderers to pick up their meat trimmings and make money in return. They use it to make soap or something. If all the discarded auto tires in America could be turned into Hula Hoops, the problem of discarded auto tires would disappear overnight. You might then have a problem of discarded Hula Hoops, but one thing at a time.

I have a neighbor who stacked auto tires around his mailbox post until the town told him to get rid of them, but at least he was trying. From what I can see in my travels, most people take their old auto tires to the railroad tracks and discard them along with their old refrigerators and TV sets. Perhaps the tire companies should do what the oil companies do on their oil containers and simply inscribe a legend that says: "Dispose of drained oil properly." That takes care of that.

But seriously, the laws of physics clearly state that energy can neither be created nor destroyed. That being the case, it behooves us to get cracking and find something useful to do with this garbage. There's energy in there someplace and we've got to find it.

In the meantime, there are other ways to handle a problem. If you can't enforce or employ the law of conservation of energy, perhaps you need another law. I hesitate to say it in this worldwide mood of freebooting marketing, but you could

simply outlaw garbage. That is to say, we could simply ban the entire concept of garbage.

If you want to make autos, auto tires or refrigerators, that's fine and dandy; after the consumer has consumed its stated value as a refrigerator, it comes back to its original creator—to GE or whomever. And you know what? I bet GE or Pirelli or GM would find a way to use

Isn't it interesting how so many of us thought the fault lay not with us but with our soft drink and beer bottlers? We thought we would get away cheap and still keep our virtue.

up that old refrigerator, that old tire or old auto.

Of course the consumer would have to share in the cost of this auto- or tire- or refrigerator-return, in terms of an up-front deposit. There would be a hardship at first, until we all got used to the idea, but in short order there would be an end to burnt-out wrecks alongside the nation's superhighways, railroad tracks and river beds.

We simply have to get the idea of a disposable inventory of used goods out of our heads. It's yours, baby. It's yours for life, or until it goes back to its original creator. That's something to think about, isn't it? I wonder if we would be so quick to fight wars if we couldn't just discard perfectly good airplanes and trucks and tanks by driving them off the cliffs of the Marianas, or wherever, rather than boating them back home. (I understand we've had to send cleanup

crews to Antarctica to clean up the refuse left behind from previous explorations.)

And that goes for the supermarket, too. Suppose all those groceries and all that packaging that goes out the front door returned to the supermarket's back door to be returned to the original owners? If that happened, I bet we'd soon be wrapping fish in yesterday's newspaper rather than in lily-white butcher paper, overwrapped in plastic film and tape.

But back to Adam Smith. The problem with garbage in the U.S. of A. is that garbage is either cheap or worthless. The French have been carrying their baguettes of bread home every day under their arms, in their newspapers or in their shopping bags, for centuries. They would probably not do it any other way. I have never heard of a Frenchman who complained of *les microbes* in or on his bread. I don't suggest that we start carrying our own bags to the supermarket, but...

If disposable anything was forced to have an arbitrary value placed on it, the impact—and the pristine clarity of the message—of the so-called bottle bills would arrive like the clang of doom.

Isn't it interesting how so many of us thought the fault lay not with us but with our soft drink and beer bottlers? We thought we would get away cheap and still keep our virtue.

Alas, we could not. Our garbage just won't go away, so to speak. Like the myth of the Flying Dutchman, who is forced to sail around the world forever and cannot land, we cannot land anywhere without our garbage. It will follow us wherever we go.

Let's find a use for it, put a value on it, or at least a deposit on it. After all, it is ours. ■

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SUPERMARKET BUSINESS

instore
BUSINESS



EIGHTH ANNUAL OPERATIONS REPORT SERVICE BAKERY REVIEW

Despite more units operating and higher sales, increases in bakery sales have slowed. Growth, which peaked in 1988, continues at an even pace.

BY DAVID LITWAK AND JANET TORRES CEPEDA

Periods of intense growth are hard to sustain, even under the best of circumstances.

They are usually few and far between, and generally require a period of recovery in which the growth spurt is absorbed back into the industry.

Call 1989 a period of recovery for the instore bakery. It was a year in which healthy growth did occur, but to a far lesser degree than the nearly 28 percent sales jump of the year before.

The instore industry had a sales increase of 8.7 percent in 1989, bringing the department's annual sales up to \$6.64 billion from the \$6.11 billion level of 1988. While this is certainly not bad, it is somewhat anticlimactic given 1988's results.

Part of the reason for the lower growth rate was the decline in the number of bakery units launched during 1989. Last year only about 190 new bakery units were opened, while in 1988, 1,180 new bakeries were opened. That's about 1,000 more new bakeries in '88 than in '89.

Obviously, almost 1,200 new bakeries cannot continue to open in supermarkets every year, especially since this number is over and above those that replace units that have closed.

CENSUS	3A
SALES, MARGINS & PRODUCT MIX	4A
LABOR & SERVICE	6A
SPACE, LOCATION & EQUIPMENT	10A
PRODUCTION & SUPPLY	12A
RETAILING & CUSTOMERS	12A

There are now bakeries in 65.9 percent of all supermarkets. Given this high proportion of stores with bakeries, it is probable that we are approaching the saturation point of bakery units, and that unit growth will slow even more in the future.

But the number of new units alone does not explain the slowing of bakery sales growth. In 1988 weekly sales per bakery unit rose by 20.3 percent, to \$5,868; while in 1989, weekly sales continued to rise, but only by 7.6 percent, to \$6,311. A vast majority of bakery operators (86 percent) report higher average sales in their departments. The average increase is on the order of 10 percent.

The important thing to remember is that bakeries have reached the point that they are no longer automatic customer draws. To have a bakery is no longer enough, since chances are that your competition will also have bakeries. The quality of the product of that bakery is now of paramount importance.

Bakeries as profit centers

More and more, operators are looking at their bakeries as profit centers. Seventy-eight percent of the retailers indicated that they consider their bakery

BAKERY CENSUS

The instore bakery continues to grow in both sales and number of units. With units in almost 66% of all supermarkets, the department may be nearing its peak penetration. Building up sales per unit is the next challenge.

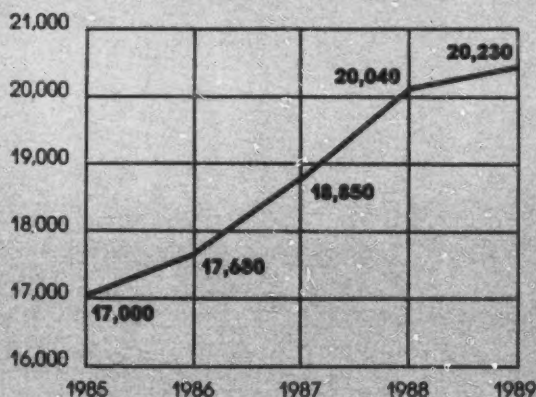
According to a very old joke, bakers are really rolling in dough! If not the baker, then certainly the instore bakery. Sales in 1989 rose to over \$6.6 billion dollars, jumping 8.7% from 1988 levels. Given that there are now 20,230 bakery units operating, average weekly sales per unit were up to \$6,311.

Sales and units, despite having a very good year, did not grow at nearly the same levels that they had in 1988. Consumers appear to have settled into a buying pattern when shopping the instore bakery, a pattern that is likely to bring with it a more stable pattern of growth in the coming years.

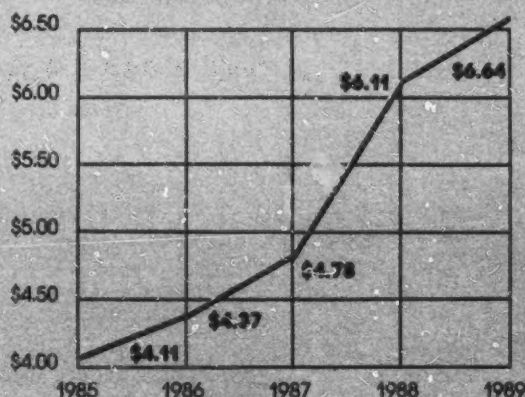
Is Portion of Store Overhead Allocated Back to Instore Bakeries?

Yes	52%
No	48%
Total	100%

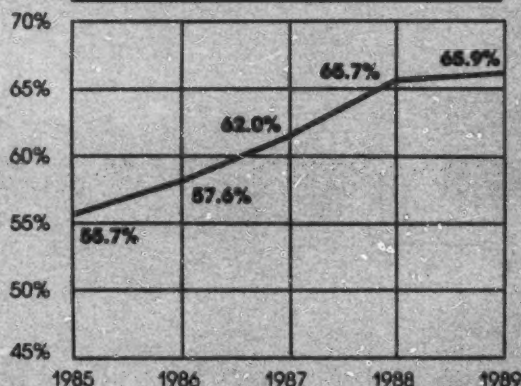
Instore Bakery Units



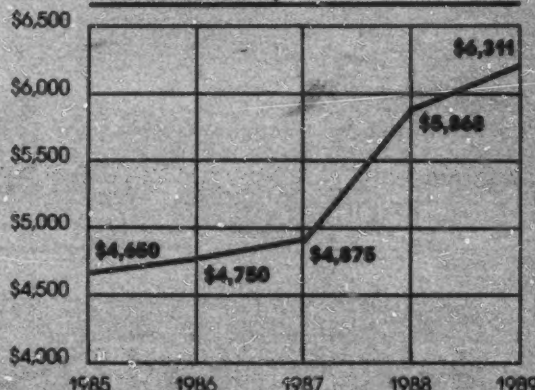
Annual Sales (billions)



Percent of Supermarkets with Bakery



Average Weekly Sales Per Instore Bakery



departments to be as much a profit center as a traffic draw or image builder.

With the renewed emphasis on profitability, many departments are beginning to place stricter controls on costs, production yields and shrinkage.

The incentive to control costs and run a profitable bakery department is definitely there. Bakeries that are run as profit centers contribute an average of 5.2 percent of the profits of the total store in which they are located, compared with an average of 2.8 percent of total store sales.

The average gross margin of products in the bakery section now stands at 53.2 percent, which is down slightly from 54.9 percent last year. Even with the small decrease, this is a very substantial margin, in comparison with other areas of the store.

It is this potential profitability that has caused bakeries to be so popular with retailers. Not only have the departments become almost 'must-haves' in terms of customer draw, but stores now compete with each other through their bakeries.

That the bakery has come into its own is undeniable. The bakery is no longer an adjunct to the deli section. Seventy-five percent of the units are run separately from the deli department, at least on the store and merchandising levels.

Producing the goodies

Production in a bakery comes down to three essential ingredients: method, equipment and labor. Clearly, all three are intertwined. In a sense, equipment and labor depend on the method of production chosen.

In most bakeries the products are made from a combination of scratch, mix, bake-off, and thaw and sell. In some instances, finished products are brought in from another bakery.

Scratch baking is often confused with mix production. If they are not simply baking off a formed product, some operators will say, especially to their customers, that they make their products from scratch. To these operators, any mixing of batter or dough constitutes scratch production.

As reported by bakery operators, the major method of production for 43 percent of the instore bakeries is bake-off. Scratch/mix is the major method for 29 percent, while 25 percent report that they use a combination of methods for the majority of their products. Thaw and sell products fill the majority of the

bakery cases in about 3 percent of all departments.

Despite the reliance of many units on bake-off and thaw and sell, the average bakery is well equipped. The large amount of equipment present in so many bakeries reflects the varied approach to production that most departments seem to take. Equipment also has a major impact on labor.

The number of employees in the bakery really hasn't changed in the last year, but there has been some shifting in the type of employee. There are now the equivalent of 7.8 full-time employees in the section, down slightly from 7.9 last year.

There is more of a tendency to use full-time employees (4.8 in '89 vs. 4.6 in '88) than part-time. This is due to both the greater number of sophisticated products that the units are produc-

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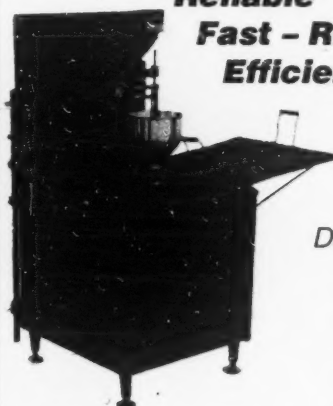
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BAKERY SALES, MARGINS & PRODUCT MIX

Increased dollar sales again brought the bakery higher profits in 1989. A well-run department will usually contribute more than 5% of the profits of the total store.

Average Weekly Sales

Mean \$6,311 Median \$5,741

Share of Total Store Sales

Mean 2.6% Median 2.4%

Weekly Sales By Format

Format	Mean
Super Store	\$10,173
Superwarehouse Store	\$6,372
Conventional	\$5,111

Percent of Total Sales by Format

Super Store	2.4%
Superwarehouse Store	2.1
Conventional	3.3

Contribution to Store Profits

Mean 5.2% Median 5.5%

Change in Dollar Sales (1988 vs. 1987)

Higher	86%
No change	4
Lower	10
Total	100%
Average Reported Increase	10%

Percent of Store Profits

Less than 3.0%	18%
3.0-4.9	27
5.0-6.9	11
7.0 or more	44
Total	100%

Gross Margin

Margin	Mean	Median
Less than 40%	53.2%	55.4%
40-49	31%	22
50-59	31	31
60 or more	16	16
Total	100%	100%

Bakery Items/ Lines Most Frequently Dropped or Decreased

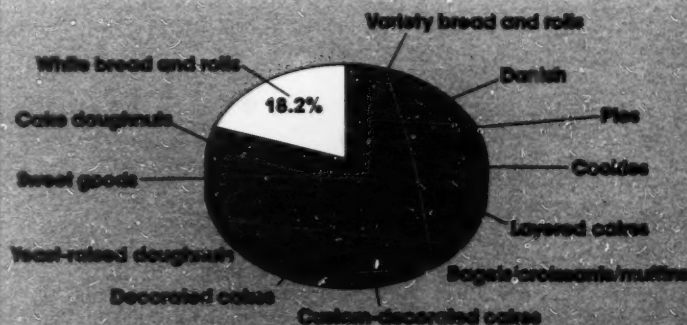
- Doughnuts
- Danish
- Croissants
- Sweet Goods

Bakery Items/ Lines Most Frequently Added or Increased

- Muffins
- Cookies
- Oat Bran Products
- Grain Breads
- Decorated Cakes
- Bagels
- Fruit Pies

Portioning Out the Instore Bakery Sales Dollar

Share of Sales



Eighty-six percent of the bakeries saw higher dollar sales last year, with the average increase on the order of 10%. Despite a small drop in the average gross margin (down to 53.2% from 54.9%), net profitability was up slightly (0.3%).

White breads and rolls still dominate department sales, the more sophisticated dessert items continue to increase their share of the bakery pie. Once again, 'healthier' products were featured by more units.

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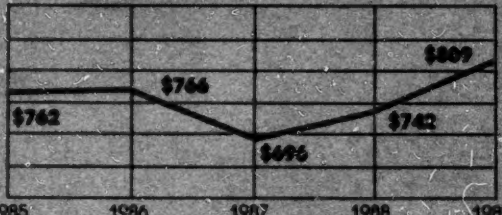
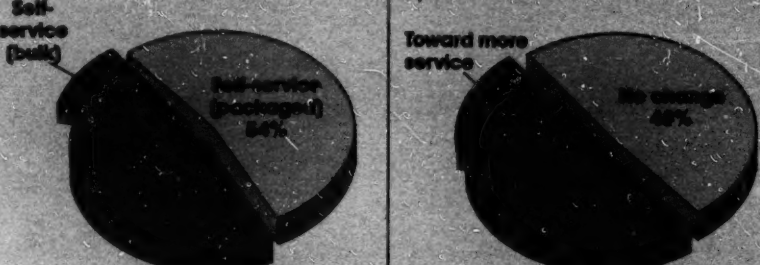
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BAKERY LABOR & SERVICE

It costs just a little more to man the average bakery. The cost of labor rose last year to 31.9% of sales. Employees are more efficient, with sales per employee increasing to over \$800 per week.

Number of Employees Full Time 4.8 Part Time 6.0 Full Time Equivalent* 7.8 Full-Time Equivalent Employees 1-3 8% 4-5 15 6-7 49 8-9 20 10 or more 8 Total 100% *2 part-time = 1 full-time employee	How Much for Labor Labor as a Percent of Instore Bakery Sales Mean 31.9% Median 29.8% Under 26% 14% 26-30 40 31-35 19 36-40 15 Over 40 10 Total 100%	Average Weekly Sales Per Employee* Mean \$809 \$500 or less 4% \$501-\$750 31 \$751-\$1,000 46 Over \$1,000 19 Total 100% *Full-time equivalent employees
Cake Decorating Percent of Stores Offering Offer 83% Do not offer 15%	Time for Prep and Service Breakdown of Labor Hours Customer service 44% Other (incl. prep) 56 Total 100%	Average Weekly Sales Per Employee* Full-time equivalent employees 
Employees are spending slightly less time in preparing products, and more in displaying them and in waiting on customers. Operators report that sales from self-service packaged items and service items are up, while self-service bulk are down.	Service vs. Self-Service Percent of Stores Offering* Service 83% Self-service (packaged) 100 Self-service (bulk) 44 *NOTE: Includes multiple answers	Trends in Service Direction Instore Directors Expect Their Operations to Move 

LET US SET YOU UP WITH SOME GOOD-LOOKING FAT CHICKS.

Southern Pride's exclusive cooking process is virtually guaranteed to make your deli chickens taste better and last up to five times longer in the case. In fact, our TOTAL SYSTEM will produce the most consistently flavorful, best looking chicks you have ever taken out. (Of the display case, of course.)

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Self-Service Equipment	Percent of Stores That Have
Display tables for packaged self-service	96%
Self-service racks (or shelves) without doors	69
Roll bins with tongs for self service	46
Self-service racks with glass doors	40
Hot Coffee & Beverages	39
Free-standing self-service racks (on wheels)	26
Self-service refrigerated cases	29

Self-Service Sales

(% Sold Through Self-Service)

Rolls	57%
Breads	51
Muffins	46
Pies	45
Donuts	42
Decorated Cakes (Shelf temp.)	37
Decorated Cakes (Refrigerated)	26

BAKERY SPACE, LOCATION & EQUIPMENT

Since the size of the average bakery department remained about the same last year, the increase in total sales raised the average sales per square foot to \$4.02. This is a new high for the instore bakery, a department where most of the space is backroom production space.

ing, and the unavailability of part-time workers in many areas.

As a result, today's bakery labor is somewhat more expensive than it was in 1988. Last year, instore bakeries spent 31.9 percent of sales in labor, compared with 31.2 percent in 1988.

As a result of production methodology and equipment, employees are spending more time with customers. Forty-four percent of employee time now goes into customer service. About 35 percent of bakery sales now comes from the service counter, with 54 percent coming from self-service sales of packaged products. Only about 11 percent is sold through self-service bulk.

The good news about labor is that it has gotten much more efficient. While the cost of labor as a proportion of sales has gone up slightly (2.3 percent), the average weekly sales per employee have risen by 9 percent. On average, each full-time equivalent bakery employee accounts for \$809 in sales each week.

This increase in weekly sales per employee is due to the employee's spending more time 'selling' the customers, as well as the fact that more product is available for the customer.

Customers steady—unfortunately!

It's the same old nagging problem. How do we get more customers to shop the bakery? After a significant gain in customers in 1988, the instore bakery managed to get virtually no additional store customers to make bakery purchases.

The customer traffic count showed that 27.9 percent of store shoppers made bakery stops last year. The figure was 27.3 percent in 1988. At least the bakery managed to hold on to the customers it did gain in 1988.

Whether there are still a great number of untapped store customers out there, or whether this is more of a statistical problem having to do with the frequency of bakery shopping versus store shopping, can only be determined when more information is gathered on individual shopping habits.

Size of Department

Square Feet of Space

Mean	1,569 Square Feet
Median	1,650 Square Feet

Square Feet by Format

Super Store	2,300
Superwarehouse Store	2,225
Conventional	875

Average Weekly Sales Per Square Foot of Space

Mean	\$4.02
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Average Weekly Sales Per Square Foot of Space by Format

Super Store	\$4.42
Superwarehouse	\$3.07
Conventional	\$5.84

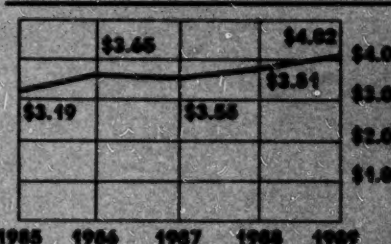
Share of Total Store Space

Mean	5.2%
Median	5.3%

Percent Share by Format

Super Store	5.3%
Superwarehouse	3.8
Conventional	4.9

Average Weekly Sales Per Square Foot of Space

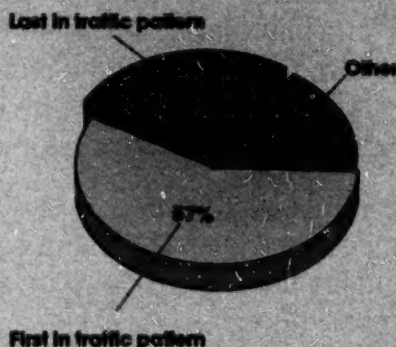


Instore bakeries continue to occupy just over 5% of the total floor space of the store. The percentage is slightly lower for superwarehouse stores. On average, the bakery occupies 1,569 sq. ft., and can range from about 2,300 sq. ft. in superstores down to 875 sq. ft. in conventional units.

Much of this space is used in production. The spatial needs of the equipment used to make the product is a large factor in the square footage given to bakeries. Most instore bakeries have a full complement of bakery equipment, no matter what method of production they use.

About 44% of all instore bakeries are located in conventional stores. Superstores and superwarehouses are gaining in terms of the number of bakeries located in these formats. Bakeries can be a factor in any format, or in a unit of almost any size. Equipment can now be scaled to fit into most size stores.

Preferred Location for Bakery



The Deltabake Concept

Stores Combining Dells and Bakeries into a Joint Deltabake Department	25%
Separate departments	75
Total	100%

The Well-Equipped Instore Bakery

Percent of Stores That Have

Proofer	99%
Freezer	99
Mixer	99
Oven*	99
Retarder	98
Refrigerated/frozen display case	93
Fryer/doughnut system	91
Glazer	88
Sheeter	63
Packaging equipment	60
Automatic oven	48
Scales tied to scanners	47
Bread/roll plant	16

*Excludes automatic oven

Location of Bakeries by Store Format

Percent Located In:	
Conventional	44%
Super Stores	39
Super Warehouse	17
Total	100%

BAKERY PRODUCTION & SUPPLY

The vast majority of instore operators use more than one method to produce their bakery products. The most common method of production is still bake-off. Time, available skilled labor, and a growing number of product offerings are important factors in the choice of production method; this decision often dictates one method for a group of products and another method for other products.

Forty-three percent of the bakeries report that bake-off is used for more of their products than any other method. Most of these do not use bake-off exclusively, but combine their production methods in some way. Scratch/mix production is the major method for 29%, while 25% have no single preferred method, but combine the two.

Throw & sell products are gaining popularity among instore bakers. Three percent report that the majority of their products are of this variety.

More and more supplies are coming through the warehouse (65%), and not directly to the store. While the bulk of ingredients and supplies are still bought from bakery suppliers, more are coming either through grocery wholesalers, or direct from manufacturers.

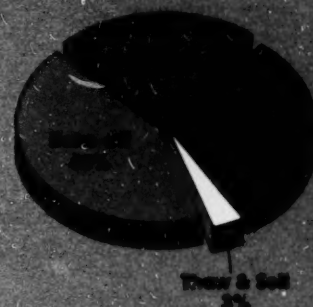
Methods of Production*

*NOTE: Includes multiple answers

	Bake-off	Mix	Scratch
Bread and rolls	76%	24%	45%
Yeast-raised doughnuts	54	55	9
Cake doughnuts	32	50	4
Sweet goods	68	39	11
Cookies	79	22	32
Pies	56	7	22
Layered cakes	32	61	22
Croissants	59	4	12
Brownies	35	54	23
Bagels	92	2	4
Muffins	39	62	22

Major Method of Production

Percent Using



Suppliers to Instore Bakeries

Percent Using*

	Bakery Distributor/Supplier	Grocery Wholesaler	Ingredients Manufacturer	Wholesaler Baker
Bake-off	49%	49%	24%	11%
Mix	58	24	42	9
Scratch	49	28	25	1

*NOTE: Includes multiple answers

Warehouse vs. Direct Delivery

Percent of Baking Ingredients Supplied

Through warehouse	65%
Direct to stores	35
Total	100%

BAKERY MERCHANDISING & CUSTOMERS

Although enticing almost 28% of store customers to shop the bakery last year was a good achievement, there was really no increase in department traffic from the year before. If promotion, price, product mix and aroma haven't been able to increase the customer count, maybe nothing can.

The average bakery customer leaves about \$20 more in the cash register today than a year ago. The average instore bakery transaction is up to \$2.02. Considering that 27.9% of all customers spend \$2.02 at the bakery, it is no wonder that over 90% of the retailers consider their bakeries to be profit centers as well as traffic draws.

Sampling is still the best way to promote the bakery department, according to retailers, although most also utilize newspaper ads, circulars, and POP materials.

How Supermarket Customers Spend

Percent Who Shop the Instore Bakery

Mean 27.9% Median 28.4%

How Much They Spend

Mean \$2.02 Median \$1.93

Advertising and Promotion Sell Instore Bakery

Percent Using

Sampling	92%
Newspapers	65
Point-of-purchase	75
Circulars	75
Radio	45
Television	22

Bakeries' Share of Ad Space Compared to Share of Sales

Greater	16%
Less	45
Equal	44
Total	100%

Do You Consider Your Bakery a

Image/Traffic Builder	55%
Profit Center	7
Both	75
Total	100%

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MAY 1990

Just say no!

If they'll pay that
much, maybe I
didn't ask for
enough.

Business was
never like this!

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provocative look
at today's dubious
trade practices, with
memorable industry
comments and a
national survey.**

Pay to stay.

If they'd do their
market research.

Money,
the uncontrolled
substance.

Failure fee.

If it's out there,
I want it.

Robinson-Patman?
What's that?

Diverting is
good business.

I asked for \$50 grand.
He paid it!

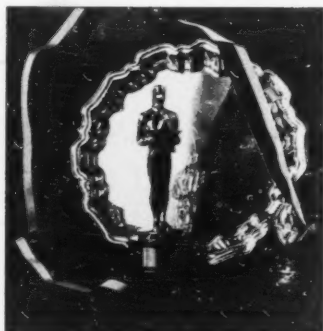
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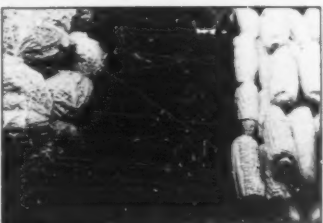
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TROPHIES OF THE TRADE WARS KEN PARTCH

25

Just four years ago, there was almost no public discussion of some of the real trade practices that many felt were threatening the very future of the grocery industry. Today, retailers, wholesalers and manufacturers alike were not only willing but eager to speak openly. Here's what they said in response to our exclusive survey.

'EDLP' IS ALIVE AND WELL A SUPERMARKET BUSINESS STAFF REPORT

34

Every Day Low Prices is still very much considered a viable supermarket pricing concept, even if its present condition is somewhat confused in markets with heavy use of FSIs, rotos, TV ads and double coupons.

SUTTON PLACE GOURMET: A CAPITAL IDEA FOR WASHINGTON, D.C. CAROL FENSHOLT

59

Even the nation's worldly seat of government is really just a small town where stylish entertaining at home is becoming the thing to do.

SAFEWAY'S 'MARKETPLACE' CONCEPT: FOCUSING ON THE FUTURE HOWARD RIELL

70

After an LBO and a major restructuring, Safeway, Inc. finally seems to be getting back down to business. In its Marketplace concept, newly introduced to the East Coast, specialty departments are showcased as "stores within the stores."

MOST FAILURES COME IN THE SECOND ACT; RETAILING IS NO EXCEPTION MICHAEL J. O'CONNOR

81

Getting people into your store is half the battle—but only half. For continued success, you need a strong follow-up. Here's what some outstanding supermarketeters have done.

NEW CHILDREN'S MEALS: NOT JUST KID STUFF MIKE DUFF

89

As baby boomers age, companies are beginning to target a new generation of consumers. But will kids—and their parents—settle for good-tasting meals ... or will they demand good nutrition as well?

FINDING A BETTER 'ANGLE': STORE UNDER CONSTRUCTION MAKES MIDCOURSE CORRECTION MIKE DUFF

111

When the owner of a new supermarket bowed out during construction, Fleming helped a new operator modify the store's unorthodox design to make it more competitive.

HEALTH SAVERS OF THE NEXT CENTURY PREVENTION MAGAZINE

117

Doctors, scientists and public health officials predict how Americans will keep fit in the year 2000.

SPECIAL PRODUCE SECTION

THE ELEMENTS OF STYLE CAROL FENSHOLT

97

Like the writer's blank sheet of paper or the painter's empty canvas, the store space allocated to produce is a true test of your talent. Here's where you make a real impression.

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NONFOODS BUSINESS



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OPERATIONS REVIEW OF HEALTH AND BEAUTY AIDS SECTION

125

DAVID LITWAK AND JANET TORRES CEPEDA

With annual sales eclipsing the \$10 billion mark, Health and Beauty Aids continue to be an essential part of the supermarket sales mix.

AT SCHWEGMANN: BANKING ON NONFOODS AND SERVICES TO COMPOUND CUSTOMER INTEREST

135

MIKE DUFF

At Schwegmann's New Orleans East store, up to 75 percent of sales are nonfoods ... and that doesn't count the revenues the company makes from the newly installed bank.

GMDC: TWENTY YEARS OF PROGRESS

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FRANCIS E. WILLMES

One of the charter members of General Merchandise Distributors Council reviews what the association has accomplished, and looks ahead to the future.

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ALAN B. MILLER, JR.

INSTORE BUSINESS

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In Selected Editions Only

IN MICHIGAN THEY'RE SAYING, "MAN, WHAT A PAN!"

1A

CAROL FENSCHOLT

If there's one frying pan you really don't want to get hit over the head with, it's the skillet in Al Kessel's store.

SERVICE DEPARTMENT CUSTOMERS: A NEW LOOK AT SHOPPING HABITS AND ATTITUDES

8A

DAVID LITWAK

New research shows that, contrary to what was previously thought, most consumers do shop the service departments. When it comes to deli and bakery, it's not the number of people who ultimately shop that's important, but how often they shop.

COMBI OVENS: WILL THERE BE A U.S. ECHO TO THE EUROPEAN BOOM?

17A

FRANK HAMMEL

A single convection/steam combi oven can cost twice as much as dry-heat ovens and injection steamers. But some say upgraded food quality, high-volume output, fewer throw-aways and a small "footprint" make the versatile units worth the price.

THE CATERING CONNECTION: THE NEXT GENERATION IN FOODSERVICE

31A

ELAINE READER

From restaurants to supermarkets, many companies are adding catering to their line of services—and business is booming.

PREPARING FOOD

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ELAINE READER

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Cover Photo: DiMlicco/Ferris Studio

LISTENING WITH THE THIRD EAR



Ken Partch,
Editor-in-Chief

Some of the things I read and hear in this business these days, I don't know quite what to make of, if taken literally. I feel that there must be something there that escapes ordinary semantics and logic.

Like trying to see with the third eye, as they say in some circles, I am going to try listening with the third ear. Take, for example, a speech that a grocery wholesaling executive made recently at an industry dinner. Since I can't reach him for confirmation that he actually said what I read, I will keep his remarks anonymous—at least in this publication.

The executive allegedly stated the following: "There has been a lot of controversy lately concerning slotting allowances and the so-called demands put on manufacturers by the retailers, but in fact, a true audit would probably reveal that the funds [for allowances] are inadequate."

He then went on to explain (according to the article I am reading) that the slotting allowance covers many costs "including warehousing, transporting, stocking, altering scan files, shelf realignment, merchandising product without manufacturer's support and discontinuing deleted items."

That being said, here's the part I find really baffling: "And what about lost sales," he goes on "from those items we discontinue to make room for the new item? In some categories we are discontinuing items moving a case to a case-and-a-half a week per store to make room for that new item."

This is where I begin to lose contact with the ordinary meaning of words. This man must be saying something, but what is it? If an item is moving at the rate of a case-and-a-half a week, why in the world would you remove it? There can be only one reason—the item has a very low margin. And if it does, how can he

be losing all this money?

Since there are not that many items that move, on average, a case or more a week—only some 450 dry grocery items move that fast—this man is talking about a fast mover. What he is saying is that he is going to take a chance on not carrying this particular size or flavor in this category and hope that he can get away with it, and not do too much damage.

In the meantime, he is able to pick up the sure-thing slotting allowance that is being offered. Our buyer is taking the chance that this is a substitutable item. But keep this up and the store might become half full of substitutable items,

The important question is: If money spent on slotting allowances is not new money, then is this the best use of this money?

or half empty of the things the customer wants. Then he may find out that stores are also substitutable.

We heard of an example very recently where a well-known New England chain turned down a very good new product because the manufacturer refused to pay a slotting allowance. The company does pay introductory allowances, and this product had one.

A competitor knew about the product, having just come from a western market where the product had done well. In fact, he had sold 50,000 cases of it out there. He took on the product in his new job, and had an exclusive for some 10 weeks. We are beginning to hear other stories like this as the Great Slotting Allowance Era moves forward.

But let's go back to our first merchandising wizard. He wants the slotting allowance to cover warehousing, transportation, shelf stocking, and so on, and so on. And I ask: What does he think he gets 19 percent gross margin at the store for, and another 6 or 7 percent at the warehouse? Doesn't this cover the cost of doing business and more?

Another chain executive makes the point that the slotting allowance does not represent any new money being put into the system. That it is all sales promotion money on the part of the manufacturer. Let's assume, for the moment, that that is true. We then have to ask: Is this the most productive use of this money?

Let's look at the system as a single, closed system. All we want to do is procure product and move it into the hands of the consumer. We will pay only for those services we need to pay for, and only for those services that add value in any way.

We would then have to follow how each and every item moves from research and development into production and then into the distribution system. Then we need to examine how it is advertised and promoted, and how these costs are applied to the shelf price.

Supposedly, total dollars spent for sales promotion in the grocery industry are now double that of total dollars spent on consumer advertising. True or not, it still begs the question: Is this the most productive use of this money—your money and my money? Because ultimately there is only one source for this money—the consumer.

It is tempting to try to move toward a system of no-risk wholesaling and retailing, but there is a danger. Slotting allowances are not new. I can think of chains that excelled in the art of extracting all that the traffic would bear. Curiously, most are no longer with us. ■

SUPERMARKET BUSINESS

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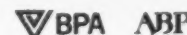
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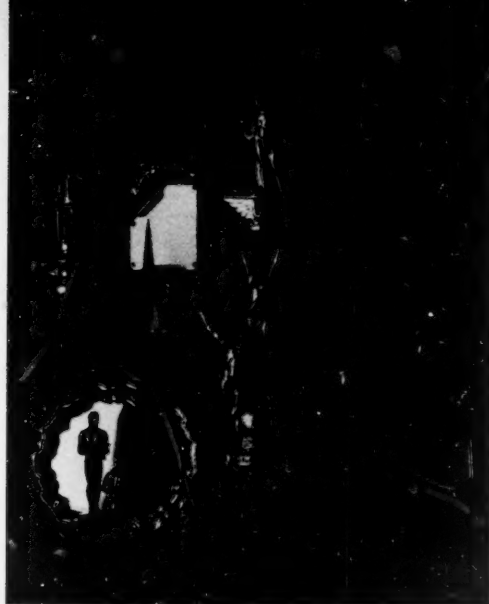
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TROPHIES OF THE TRADE WARS

Just four years ago, there was almost no public discussion of some of the real trade practices that many felt were threatening the very future of the grocery industry.

Two years ago, we found only three people who would talk to us for the record: one manufacturer, one food broker and one diverter (who, incidentally, was making a public stock offer).

Today, people in all segments of the industry are willing—even eager—to speak openly. The question is whether we can repair what damage has been done and is still being done to the buyer/seller relationship.

One expression we heard again and again was: "We've got to get backing to trusting one another."

BY KEN PARTCH

There is a story making the rounds of the grocery industry that may or may not be true. It is usually attributed to an Eastern grocery buyer, either named or unnamed, and goes like this:

"I really didn't want this new product, but I didn't want to hurt this guy's feelings because I've known him a long time. So I asked for this ridiculously high slotting allowance, [usually, the number given is \$25,000 or something like that] thinking he would never pay it, and that would be that. But to my surprise," the buyer continues, "the guy agrees to pay it. Now I am starting to think, my god! I didn't have any idea how much money there was out there to get. Now I am thinking that maybe I didn't ask for enough."

When stories like this begin to emerge within an industry, we know that we have entered a period of profound interaction of powerful forces—of folklore, and myth-making. This period will undoubtedly be remembered as the time of The Great Slotting Allowance Charges. People will recall it in speeches and write articles and books.

Much has already been written in business journals from this publication to *The Wall Street Journal*, *Ad Age* and *Ad Week*. But nobody, until now, has attempted to put a measure on what is actually being charged, what should be charged, what is considered "fair," and what is not.

For these reasons, SUPERMARKET BUSINESS has conducted the first, modern, slotting allowance survey of the three major segments of the industry: retailer, wholesaler and manufacturer. We did not ask food brokers because we decided that this would be unfair, since food brokers are really agents of the manufacturers they represent.

The survey questions are stated as flat opinions in most cases that are known to be believed by one segment of the industry about another. Each segment was given the opportunity to agree or disagree with each statement or question, and to a greater or lesser degree. The intent in this survey is to learn how each segment perceives the other—not to find an objective truth—since the subjective attitudes toward one another are extremely important. The survey questionnaires were sent to 653 supermarket operators of various size, 50 full-line

grocery wholesalers and 91 manufacturers. SUPERMARKET BUSINESS received 124 replies by April 4, 1990, the date we set for tabulating the results. To date, SB has received 162 replies, which as a percentage of response is very high for this kind of survey. Obviously, the issues raised in this survey are of great importance to the industry.

SUPERMARKET BUSINESS also conducted numerous interviews to learn, in detail, how many of you feel about today's buyer/seller relationship. We regret that we could not reach all of you who wished to respond. But time and space simply would not allow it. We thank you all. (Incidentally, we received only one response that questioned the importance of the issues raised.)

Manufacturers are flooding the market with too many new products that are not really new or have not been properly market-tested.

"We're looking pretty hard at what we're doing to make sure that the items have a place in the market. We don't offer line extensions anymore. It cost too much to do that. It's too expensive. And that's true of most of the big manufacturers. Retailers have to look at a new product and ask: 'What have these people done? Who is the company? What's the reputation of the company?'"

"Some manufacturers do offer too many 'me too' new products, but retailers and wholesalers have to learn to just say no to products that won't sell. But the industry needs good new products. Right now, we're introducing a lot of microwaveable products because that's where the industry is right now. We've seen it happen where we might refuse to pay a slotting allowance, and the retailer won't take the product, then in a few months we get an order, because everybody else has it."

Jim Keller
Director of Sales Development
General Foods USA

"New products are opportunities for operators to improve their gross margins. Reputable manufacturers wouldn't put out a new product without testing it and knowing that there is consumer demand for it. It's too expensive. We have a major investment in it by the time we offer it to the field. Add to that advertising that we will have spent both to the consumer and the trade."

Robert Brand
Marketing Manager
Sylvania

"New Products? I think they're great. We need new products. When they're good they create additional sales to the old product, until the old product is finally replaced. But there is a limit. And for that we have a very simple policy.

"First of all, our buyers are trained, and they have the responsibility for the products they accept. But there is a simple rule that goes with it, and it is this. For every new product that we take on, something has to be eliminated. It doesn't necessarily have to be from the same category, but it is going to be from somewhere.

"Then, periodically, we go through the warehouse and we eliminate the non-movers that are just taking up space. We just eliminated 40 items that weren't moving. That's our

SLOTGING ALLOWANCE

Grocery Manufacturers are making very high profits these days?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	26%	62%	9%	
Wholesalers	54	23	23	
Manufacturers	3	17	44	36

Retailers are not sharing in high profits to the same degree?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	56%	33%	10%	
Wholesalers	50	22	16	
Manufacturers	—	39	46	15

Wholesalers are not sharing in high profits to the same degree?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	21%	50%	22%	
Wholesalers	45	39	15	
Manufacturers	13	52	22	13

Price is not the most important consideration for consumers?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	10%	49%	28%	13%
Wholesalers	22	72	—	6
Manufacturers	22	70	8	

Manufacturers are flooding the market with too many new products that are not really new or have not been properly market-tested?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	66%	31%	2%	
Wholesalers	72	28	—	
Manufacturers	12	76	12	

Diversing can be stopped only by manufacturers?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	58%	29%	11%	2%
Wholesalers	72	14	14	
Manufacturers	12	35	22	31

Buying from diversifiers is good wholesale and retail business?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	17%	37%	27%	19%
Wholesalers	44	28	28	
Manufacturers	12	21	21	46

Forward buying is a necessary practice in order to stay profitable?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	50%	43%	5%	2%
Wholesalers	69	23	8	
Manufacturers	3	44	31	22

Everyday low prices is no longer a viable retailing option?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	12%	31%	31%	26%
Wholesalers	6	22	36	36
Manufacturers	—	23	36	41

Because of so many selected new products, slotting allowances are justified?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	45%	39%	5%	11%
Wholesalers	50	43	—	7
Manufacturers	—	10	33	57

SURVEY RESULTS

A fair slotting allowance is:

	less than \$1K	\$2K-\$3K	\$3K-\$10K	\$25K-UP	Whichever tactic will bear
Retailers	1%	44%	11%	1%	43%
Wholesalers	—	50	8	8	34
Manufacturers	(They're way 0, or close to it)				

Slotting allowances are not justified where positive market acceptance can be proved

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	11%	11%	41%	37%
Wholesalers	7	7	22	64
Manufacturers	80	5	10	5

As a retailer or wholesaler, what is your usual slotting fee for \$100?

	None	Under \$1K	\$1K-\$2K	\$2K-\$3K	\$3K-\$5K	More
Retailers	2%	69%	14%	9%	2%	4%
Wholesalers	—	34	25	13	25	13

As a manufacturer, do you pay slotting allowances?

46% Yes 52% No

Consumers ultimately pay for slotting allowances and other distribution fees?

	Not True	Somewhat True	Sometimes True	Always True
Retailers	9%	28%	22%	41%
Wholesalers	29	13	29	29
Manufacturers	4	32	32	32

Manufacturers offer too many deals, and too often do not restrict deal quantities?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	14%	28%	33%	25%
Wholesalers	7	31	23	39
Manufacturers	22	57	17	4

Ideal classes in marketing can be held at the manufacturers' door?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	38%	38%	21%	3%
Wholesalers	22	36	29	13
Manufacturers	4	31	13	26

Stronger government enforcement of anti-trust regulations would be beneficial to the industry?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	30%	41%	17%	12%
Wholesalers	22	34	22	22
Manufacturers	13	44	17	26

Charging retailers fees to remove unsuccessful products is justified?

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree
Retailers	27%	33%	19%	21%
Wholesalers	43	36	13	8
Manufacturers	10	26	10	64

Some retailers charge entrance fees to new suppliers, would you pay such a fee?

Manufacturers: 5% Yes, 95% No

Some retailers charge "bait" money for a buyer appointment. Would you ever pay such a fee?

Manufacturers: 100% No

Return:	Retailers	86
	Wholesaler	14
	Manufacturer	24
	Total	124

SURVEY: DAVID LITWAK AND JANET TORRES CEPEDA

job and we have to do it. Buyers have to cut out a percentage of non-movers every six months."

Hank Greenberg

President & CEO

Certified Midwest, Inc.

Slotting allowances are not justified where positive market acceptance can be proved.

"As for slotting allowances, some in the West think that it is absolutely ridiculous that anybody would pay a slotting allowance. We have an introductory allowance that amounts to 15 to 20 percent of case cost, and we have terms available to everybody so that nobody has any money tied up, nobody has to invest anything. The product sells through before that. A lot of manufacturers brought this problem on themselves. They should learn to just say no."

Jim Keller

"I don't agree with paying a slotting allowance other than the actual slotting cost. No problem with that. But how can it cost one wholesaler \$300 and another \$3,000? I've even heard of slotting allowances that were asked as high as \$50,000. That's an abuse, and it's a growing abuse. It's becoming more widespread all the time. This is just a means of getting more 'up front' money. It's not the cost of putting the product into the system—that's bull."

"We're a seasonal item—home canning, mostly. But there are accounts that want to charge us every year. We're already in the system, why would we have to pay to get back every year? Where's the cost? They'll tell you that a competitor offers this much, then they expect you to bid. There's the abuse."

Joe Clark

Marketing Manager

The Ball Co.

"When we introduce a new product, as we just did recently with Crystal Color Wrap, we know that we've got a good product and that there's demand for it. We backed it with a \$10 million ad campaign and made six coupon drops. To have to pay a slotting allowance on top of that is just not fair. And we refused to do it. We've also been able to negotiate a lower level at times. When we've actually shown that there is demand for the product and there is consumer acceptance, and the buyer still wants a slotting allowance, I say that is just plain wrong."

"In the future, what I intend to do and I think others should do this too, after we've negotiated the slotting allowance as much as we can, then I am going to say, 'Okay, we'll pay it. But in return this is what I want. I want a minimum display ad, I want these price points in the ad and this kind of support.'"

"That's what we're going to have to do. We'll pay the slotting allowance, but we want the difference between what it actually costs to put in the product (and pretty soon we'll know that from GMA and other task force studies) and what the buyer is asking us to pay. For slotting fees, they're asking 10 to 20 times what it actually costs. That's not fair."

John Lowrie

VP Div. General Manager

Reynolds Metals Co.

"In our case, in light bulbs, we provide the inventory, the shelving, the actual stocking, and then the inventory is on consignment. To have to pay a slotting allowance in addition is going way past a reasonable business partnership. I

still get asked, but I refuse. If a new product proves to have sales potential, it should be stocked without having to pay for it.

"In the light bulb business we provide everything. In any business relationship there should be some mutual risk. We take a lot of risk.

Robert Brand

"We've paid slotting allowances in the past, but right now we've got a new product that is unique, so we're not paying a slotting allowance. We refuse. We do have an introductory allowance. Any operator has a right to refuse any deal. But they don't have a right to deduct from an invoice without giving you a chance to pay. It is unfair."

Don Cook

**Director of Sales
Melitta Co.**

"Slotting allowances are pretty artificial and I don't know that they're justified. They're like failure fees. Somebody started paying them—probably to help out some of these companies that are in deep LBO debt, and then everybody heard about them. There are very few secrets in this business. As soon as some vendors started helping out special customers with special terms and conditions, they opened up a Pandora's Box. I can say, at least, that ours are fairly reasonable for everyone. They're nominal. And I suppose they are an attempt to put on some controls."

Ken Wagar

**VP marketing, sales
Spartan Stores, Grand Rapids**

"I strongly agree with that. They are not justified."

Everett Dingwell

President & CEO

Certified Grocers of California

Just say no.

"If a buyer doesn't want a product, he should just say no. They tell me no enough. But if there is a strong marketing push behind the product, they should take it. Once you start relying on areas other than your business and your expertise to offset your losses, you're truly lost.



Two years ago, almost no one would speak for the record on the issues of slotting allowances, street money and Robinson-Patman. Today, they are willing and eager.

"You have to run your own show. No retailer loses money on a Melitta product. Why should I pay a fee to continue to keep my product in the store if it is selling, as I have been asked? 'Pay to stay' doesn't make any sense. If this kind of thing keeps up, the middle-sized and smaller companies are going to suffer, and innovation is going to suffer. And in the long run it is the consumer who will suffer."

Don Cook

"The buyers have a responsibility that is more than just the bottom line. They have a responsibility to their customers to sort through all the products and the deals and to approve or disapprove what is right for their customers. Renting store space is wrong. Can it be done? They did it pretty well until a few years ago."

Jim Mayor

**Senior vp
ICD/Hearst, Inc.**

Pay to stay? "No way."

"But at the same time, some of the things that we're being asked to pay for are pretty ridiculous. We've been asked to pay to continue in a chain or wholesaler because they've built a new warehouse, and we've already paid to be in the old warehouse. Pay to stay? We said, 'No way.'"

John Lowrie

Diverting and forward buying are good business.

"Diverting and forward buying are connected to the whole problem because people are diverting out of a forward buy position. Manufacturers can control that by demanding performance and enforcing a 'count and recount.' A lot of people are doing that. Just a few months ago, Kellogg's and Gerber's announced that they would allocate quantities of purchases in anticipation of announced price increases. What happened? They had to retreat from that position."

Hank Greenberg

"I get a little frustrated with the vendors because they like to beat us up on diverting and forward buying, but as far as I am concerned that's an opportunity that they created within their own structure. Our responsibility is not unlike that of the retailer—that is, to take advantage of any opportunities that make the retailer more competitive and provide the lowest cost of goods. If the vendors create programs that enable you to do that, then you take advantage of those in any way you can.

"If the vendor would get off these artificially high list prices and heavy deals under them, it would solve the problem for him. In that way maybe we could get to a more realistic situation of everyday low prices. When you get five or six deals a year with deep enough deals to bridge from one to another, you've pretty much got EDLP anyway, haven't you?"

Ken Wagar

Stronger enforcement of Robinson-Patman would be beneficial.

"We need to enforce Robinson-Patman, but we need to self-regulate as well. For example, it's true that manufacturers are primarily responsible for diverting, but wholesalers and retailers can help reduce this waste of productivity. There's a loss of focus by the buying departments."

Jim Keller

"I don't think there is a level playing field, and therefore the Robinson-Patman Act should be enforced. The problem is that somebody has to call, 'Foul.' But we're very reluctant to call, 'Foul,' because of the fear of the publicity that will come out of it. Nobody wants to be in the position of saying, 'So and so is guilty of predatory pricing because he is selling too cheap.'

"Here's what I mean about the level playing field. Suppose that the manufacturer offers a case allowance of \$3.00 to the wholesaler. Then, for promotional performance he offers the retailer an addition dollar per case (street money). I have no quarrel with that at all. He then offers the chain \$4.00 a case on the same promotion, because the chain controls the store performance. Still no problem.

"The problem begins, however, when the manufacturers permits a 'last day buy-in' for the chain at \$4.00 a case and wants to offer the wholesaler (whether voluntary or co-op) a last day buy-in of only \$3.00. We want the \$4.00, too, because he is no longer demanding performance from the chain either, and he certainly isn't going to reach our retailer member to give him the extra buck.

"For years, the retail member of a co-op or voluntary has been penalized by this system, because the manufacturer claimed that he couldn't guarantee performance. But he wasn't asking for performance of the chain either on the last day buy-in. We are demanding this and getting it about 60 percent of the time. We think it's just fair.

Hank Greenberg

"I hate to see more government regulation. I am a strong believer in letting market forces find their own solutions. But there are some practices that seem unfair. There are these small groups of retailers around the country—not the FMI's or NGA's, but groups of six or eight non-competing retailers or wholesalers around the country—share groups they call them. They're allowed to get together and share marketing information.

"But if you're trying to solve a local problem, perhaps gain a local share of market or whatever, there are many reasons why you might want to make a special offer that you can't afford to make nationally. These groups will tell each other what you did in one market, and then expect you to offer it in all markets. Now, as a manufacturer I can't do that. I can't get together with other manufacturers on terms of sale (and I'm not saying that I should be able to do that), but what's fair is fair.

"I also think that it's pretty short-sighted for retailers and wholesalers to offer their buyers incentives on how much 'up front' money they can bring in. That's not building anything for the future, that's not building a business for the long term. I don't think there's a level playing field anymore. And I don't think there's much trust either. It's pretty tough to do business without trust.

"What's going to happen is, I think, that eventually the consumer is going to get wise to all of this and realize that they are the ones who are paying for these inefficiencies and lack of productivity. It takes a lot for consumers to get involved, but when they do it becomes an emotional issue. After all, it's the consumer who's paying."

Joe Clark

"As for enforcing the Robinson-Patman Act, I don't have any problem with that. It ought to be enforced. But we want to see that promotional money go to everyone. The vendors can pretty well reach the retailer in the Grand Rapids metro area, and that's about half of our customers.

"But they can't reach the ones out in the rural areas. We think those retailers should have the same opportunities for

Quaker Oats' public position on "classes of trade" has already been well received by the trade.

QUAKER POLICY STATEMENT ON CLASSES OF TRADE APRIL 2, 1990

We endorse the GMA "Fairness Statement" issued May, 1989.

It is our current policy to offer all competing distributor customers within the same market area a single list price and identical terms of sale on common Quaker SKU's regardless of class of trade or type of format. We are in full compliance with this policy today on more than 99% of our dollar sales on U.S. grocery products. Any exceptions are for the most part regional brands with limited distribution.

All Quaker SKU's and Special Packings are available for purchase by any approved distributor customer regardless of class of trade or type of format. This applies to all consumer and food service packagings and will be announced via our Special Pack Price List and our Universal Price List.

Trade promotions are offered to all competing distributor customers regardless of class of trade or type of format, in a manner consistent with antitrust policy and the Robinson-Patman Act.

To ensure the integrity of this Policy Statement, we have initiated a number of internal procedures which include the following:

1. Price lists for all Quaker Divisions are managed through a central control point.
2. All Quaker Divisions review and coordinate their trade promotion plans with other Divisions each quarter.
3. We consistently track and monitor each Division's compliance with this policy.

In addition, we have asked for the personal commitment of all Quaker employees as well as the Brokers who represent us to our "Code of Ethics" and "Antitrust Policy and Guidelines" which reinforce the basic principles of this policy. Copies of both are enclosed.

For further information relative to this subject, please contact Ken Robb (Director-Customer Development, U.S. Grocery Products) or Paul Baron (Vice President-Marketing & Sales, Food Service Division) at The Quaker Oats Company, P.O. Box 9001, Chicago, IL 60604; telephone (312) 222-7111.



the promotions and last day buy-ins. The vendors can put on any kind of requirements they want, and we'll track that information on movement back to them. We want to see the manufacturers make that money available—not just those who are close to them that they can contact.

"There is still a class of trade issue. It's probably less of an issue in food than in non-food and HBA, but it's still there. I think that's a Robinson-Patman issue. There's a problem and a danger of winding up on the wrong side, no matter what. But there are getting to be too many issues that because they are difficult nobody wants to move. Nobody wants to take that step forward. Somehow we've got to start breaking down those barriers."

Ken Wagar

"I wouldn't mind seeing Robinson-Patman enforced. I don't want this country to operate without it the way they do in Canada and in Europe. I've had experience with that. But at the same time, it can be pretty tough to comply with in every detail. It's pretty hard to account for all the accrual funds and market development funds penny by penny and product by product.

"And how do you get to that independent to make sure that he's getting a proportional amount and that he's performing exactly in line with the chain? That's tough. It's difficult to make it work.

John Lowrie

Editor's Note: We received questionnaire replies from several large and giant chains, but none would permit us to quote them.

Those respondents who were strongly against enforcing Robinson-Patman either could not be reached for comment, or did not wish to comment.

SERVICE DEPARTMENT CUSTOMERS:

A NEW LOOK AT SHOPPING HABITS AND ATTITUDES

BY DAVID LITWAK

Science—from technological innovations, such as scanners and computers, to statistical methodologies that give meaning to raw data—has been a real help to the industry.

But like anything else, science has its limitations. Instead of relying only on abstract sets of numbers to find out what's going on in a store, sometimes it's better to go right to the shoppers for some answers.

This may be especially true when your questions relate to service departments. Who really shops the service deli, the

Contrary to what was previously thought, most consumers do shop the service departments. When it comes to deli and bakery, it's not the number of people who ultimately shop that's important, but how often they shop.

instore bakery, salad bar, seafood section, or buys supermarket prepared foods? What do these customers think about the quality of the food and service in these departments? Are there really large segments of the shopping population that still doesn't shop the delis and bakeries?

To answer these questions, INSTORE BUSINESS surveyed 1,000 supermarket customers, both men and women, on their shopping habits and attitudes concerning the instore service departments. The nationwide telephone survey was conducted by the ICR Survey Research Group (Media, Pa.), an independent market research firm.

Plenty of shoppers

The survey found, first of all, that there are a great many people shopping the instore sections, especially the delis and bakeries. Of the 1,000 supermarket shoppers surveyed, 717 shopped the service deli at least once a month, while 707 shopped the instore bakery.

Slightly more than half (520) the participants made pur-

INSTORE SHOPPING HABITS

Shop	Total	More than once/week	Once week	Once in 2 weeks	Once month	Less than once/month	Never
In Supermarket	100.0%	38.2%	46.0%	10.3%	3.5%	—	1.6%
Service Deli	71.7	7.6	28.6	42.0	23.1	4%	27.7
Instore Bakery	70.7	7.7	25.3	13.1	24.1	.6	28.1
Prepared Foods*	52.0	6.4	16.7	6.3	22.3	.3	46.5
Seafood	52.4	3.2	15.5	9.6	23.5	.6	46.5
Salad Bar	34.4	3.4	9.8	6.6	14.5	—	65.0

*Either hot or cold from the service deli or self-service case

(CUMULATIVE)

Section	Total	More than once/week	At least once week	At least once in 2 weeks
In Supermarket	100.0%	38.2%	84.2%	94.5%
Service Deli	71.7	7.6	36.2	48.2
Instore Bakery	70.7	7.7	33.0	46.1
Prepared Foods	52.0	6.4	23.1	29.4
Seafood	52.4	3.2	16.7	28.3
Salad Bar	34.4	3.4	13.2	19.8

chases of prepared foods from the supermarket, and about the same number (524) admitted patronizing the seafood department at least once a month.

The salad bar was used less than the other sections. Only 344 of those surveyed made purchases from it at all.

One aspect of these results is surprising. Although it is gratifying to see such a high percentage of departmental customers, the numbers seem to contradict other well-established purchase statistics.

When looking at transaction data supplied by retailers, the Eighth Annual Operations Review of Service Delis (INSTORE BUSINESS, March 1990) reported, that on average, just 19.8 percent of store shoppers make a deli purchase. Similarly, the Eighth Annual Operations Review of Instore Bakeries (April, 1990), reported that, on average, just 27.9 percent of store shoppers purchase instore bakery products.

These figures have remained fairly consistent for several years, and are generally about the same as those reported by other sources in the industry. The percentage of reported deli and bakery shoppers has not increased significantly, despite promotion and ad campaigns.

Retailers and product manu-

facturers have thought long and hard about how to get the seemingly overwhelming percentage of store shoppers who do not shop the deli or bakery to begin to do so. But efforts to bring in these "new" shoppers have fallen far short of its goal.

Clue to an old problem

There would seem to be a major discrepancy between the survey result that over 70 percent of the consumers patronize the deli and bakery, and the retailer reports that their transaction data shows an average of just one fifth and one quarter of the shoppers at any one time making purchases from these departments.

The problem seems to have sprung from the conclusion that most industry experts have traditionally reached based on the retailer transaction data.

That conclusion, based on a 19 percent average deli transaction rate, was that 80 percent of shoppers need to be coaxed into the service departments, and that this can be done by showing them how good deli or bakery products are. Everyone was going after them as though they were all new customers.

According to the new research, nearly 72 percent of store customers are, at some time or other, deli customers.

Unfortunately, no more than 19 percent are customers on any one day. The problem is not one of quantity of service department customers, therefore, but of the frequency with which customers shop those departments.

Thirty-eight percent of the respondents shop in a supermarket more than once a week. Add those that report shopping only once a week, and you are up to 84 percent. The percentage of store shoppers goes all the way up to 94.5 percent, when you add in those who shop once every two weeks.

By contrast, 71.7 percent of the respondents are deli shoppers, but only 7 percent shop the deli more than once a week. It goes up to 36 percent when you add in those who shop the deli once a week, and up to 48 percent when you get up to once every two weeks.

So, about 23 percent of the respondents claim to shop the deli, but make purchases less often than once every two weeks. The comparisons for bakery purchases to store shopping are almost the same.

It appears that there are not one out of five customers who are deli customers, but more likely one out of five shopping trips that are deli shopping trips. Therefore, strategy for

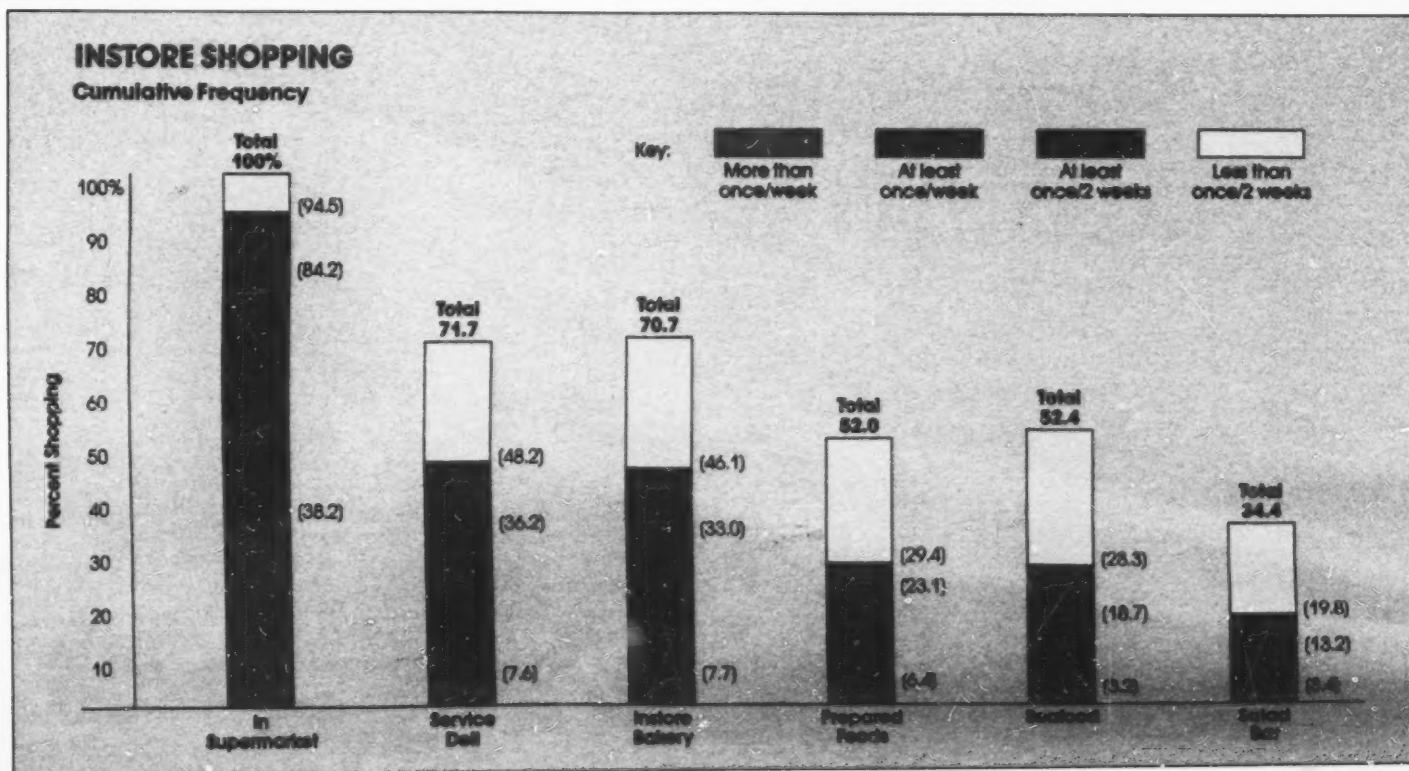
improving the percentages of deli or bakery transactions shouldn't be to market the deli or bakery as if you were trying to attract new customers, but to "sell" those departments as if their products were an essential part of the menu to be purchased more often.

Food and service may be better

If there is anything that prevents shoppers from purchasing food at the deli or bakery, or other sections, it is not their perceptions of the quality of the products. Shoppers generally agreed with a number of statements concerning the freshness and quality of these products.

Almost 59 percent of the participants agreed that instore bakery products were as fresh, or fresher than those sold by independent bake shops. About 29 percent of the shoppers strongly agreed, while another 29 percent agreed. Only 30 percent disagreed.

The ratings of supermarket prepared foods were similar to those of bakery products. Fifty-three percent agreed that prepared foods sold in supermarkets are as fresh, or fresher than those sold in take-out shops or fast food restaurants. Of these, 20 percent strongly agreed, while only 32 percent disagreed with the statement.



Even though half the shoppers do buy supermarket prepared foods at least once a month, they tend to buy those foods far more often elsewhere.

SHOPPERS' OPINIONS

Statement: Supermarket Bakery products are as fresh or fresher than those of independent retail bakers.

	Total	Male	Female
NET AGREE	58.8%	60.1%	57.6%
Strongly Agree	29.1	26.7	31.3
Somewhat Agree	29.7	33.4	26.3
NET DISAGREE	30.1	29.4	30.8
Somewhat Disagree	19.8	20.2	19.4
Strongly Disagree	10.3	9.3	11.3

Statement: Prepared foods sold in supermarkets are as fresh or fresher than that sold in take-out shops or fast food restaurants.

	Total	Male	Female
NET AGREE	53.3%	54.6%	52.2%
Strongly Agree	20.2	23.5	17.2
Somewhat Agree	33.1	31.0	35.0
NET DISAGREE	32.2	32.4	32.1
Somewhat Disagree	20.3	19.2	21.2
Strongly Disagree	12.0	13.1	10.9

Statement: The quality of supermarket prepared foods is better than that of take-out shops or fast food restaurants.

	Total	Male	Female
NET AGREE	43.3%	48.2%	38.8%
Strongly Agree	13.9	16.8	11.3
Somewhat Agree	29.4	31.4	27.5
NET DISAGREE	39.9	38.5	41.1
Somewhat Disagree	27.8	26.6	28.9
Strongly Disagree	12.1	11.9	12.2

Statement: The service department employees in supermarkets are more knowledgeable and more helpful than those in fast food shops.

	Total	Male	Female
NET AGREE	67.9%	72.2%	64.0%
Strongly Agree	31.2	34.3	28.4
Somewhat Agree	36.7	37.9	35.6
NET DISAGREE	19.0	15.9	21.9
Somewhat Disagree	13.8	11.5	15.9
Strongly Disagree	5.2	4.4	6.0

Statement: It is too inconvenient to purchase prepared foods at the supermarket instead of a take-out or fast food shop (too long a wait).

	Total	Male	Female
NET AGREE	35.8%	42.3%	29.9%
Strongly Agree	13.1	18.8	8.0
Somewhat Agree	22.6	23.4	21.9
NET DISAGREE	51.3	47.6	54.6
Somewhat Disagree	34.2	29.9	38.2
Strongly Disagree	17.0	17.7	16.4

Statement: I would be as likely to buy a prepared meal from the supermarket as from a take-out shop or fast food restaurant.

	Total	Male	Female
NET AGREE	40.9%	40.0%	41.8%
Strongly Agree	16.4	17.0	15.8
Somewhat Agree	24.5	23.0	26.0
NET DISAGREE	52.3	53.4	51.3
Somewhat Disagree	26.2	26.7	25.8
Strongly Disagree	26.1	26.7	25.6

Why Shoppers Who Don't Purchase Deli, Bakery or Prepared Foods, Or Only Purchase Them Once A Month—Don't Purchase Them More Often?

—Prefer Home Cooking	17.1%*	—Not Available	4.5
—Price	14.3	—Prefer To Buy At Other	
—Inconvenient	13.8	Type Of Store	4.1
—Don't Need/Just Don't Buy	11.5	—Watch What I Eat/	
—Taste	8.3	On Special Diet	4.0
—Quality	7.3	—Appearance	2.7
—Don't Eat These Items	6.6	—Other	5.3

Not only are supermarket prepared foods fresh, but also of a high quality. Forty-three percent of the consumers we spoke to agreed that that supermarket prepared foods are better quality than those found in take-out shops or fast food restaurants. Forty percent disagreed with this statement.

Since many of these products are sold through service-oriented departments in supermarkets, the ability and helpfulness of the clerk serving those products becomes a very important issue. Here again, supermarkets do very well.

When it comes to service employees, 68 percent of the shoppers agree that those in supermarkets are more knowledgeable and more helpful than those in fast food shops. Thirty-one percent strongly agree. Only 19 percent disagreed that supermarket employees are generally better.

All this seems great. Bakery items and prepared foods are fresh, and of a high quality, and they are served by more knowledgeable and helpful employees. You'd think that consumers would buy all their prepared foods at the supermarket. Wrong!

Shoppers are more likely, despite their high regard for the freshness and quality of supermarket prepared foods, to buy their meals elsewhere. Fifty-two percent disagree with the statement that they would be as likely to buy a prepared meal in the supermarket, as from a take-out or fast food shop. Twenty-six percent disagreed strongly.

About 41 percent said that they agreed they would buy a prepared meal from the supermarket.

Not very convenient

A part of the problem appears to be the convenience factor, or in the case of supermarkets, the inconvenience factor. While this is certainly not the whole problem, it is, according to the respondents, a deterrent.

While 51 percent disagree with the statement that it is too inconvenient to purchase prepared foods at the supermarket, 36 percent agreed. While not the majority, this is still a large enough percentage to steal sales away from the supermarket. Of those who disagree, 34 percent of the total sample only disagreed somewhat.

Males seem to be swayed

more by convenience than females. Forty-two percent of the males agreed that buying prepared foods at the supermarket was inconvenient, while only about 30 percent of the female respondents agreed.

But there is more going on here than just a question of convenience: There is the mind-set of the shoppers. Shoppers just do not think about a prepared meal from the supermarket as often as they do from some other type of foodservice outlet.

The other 28 percent

What about those shoppers who very seldom or never purchase items from the bakery, deli or prepared foods section of the supermarket? They cite a vast number of reasons for not buying.

The reason most often quoted by these 280 consumers is that these patrons claim that they just would rather do it themselves. Over 170 of them prefer home cooking to prepared foods. Price is another factor, with over 140 claiming that the prices in are too high.

Inconvenience is also a contributing factor to those who don't often purchase instore products. Almost 14 percent of the 1,000 consumers interviewed say it is just too inconvenient to come into the supermarket when they are looking for these items.

Some people just don't buy these products (11.5 percent), and others just don't like the taste of them (8.3 percent). If any group of potential shoppers need to be marketed to as if they were new customers, it is this 30 percent that never or infrequently purchase deli or bakery items, including prepared foods.

All in all, supermarket consumers give the instore sections fairly high ratings. They seem satisfied with the integrity, taste and freshness of the products.

The major problem that the industry is still faced with is getting these consumers to shop these departments more often. Getting more awareness of these products in the minds of consumers seems to be critically important, especially among those consumers who are frequent buyers of prepared foods from other types of outlets.

The message needs to be, "You've tried it, you know it's fresh, and tastes good—so why not buy it here?" ■

SUPERMARKET BUSINESS

NONFOODS BUSINESS

INSIGHTS FOR MANAGEMENT AND THE GM/HBA SPECIALIST

OPERATIONS
REVIEW OF

HEALTH & BEAUTY AIDS SECTION

BY DAVID LITWAK AND
JANET TORRES CEPEDA

Annual sales of Health and Beauty Aids have now surpassed the \$10 billion mark. With the section's good margins and low labor costs, it continues to be essential to the supermarket sales mix.



PROFITS AND PRODUCTS

HBA is responsible for just over 5% of total store sales in the in which they are located. Given that the department as a whole has an average gross margin of 26.6%, the sales of HBA items can add a great deal of extra profit to the store's bottom line.

The largest share of the HBA sales pie goes to OTC remedies (23.2%). These items are expected to get even more popular as more prescription drugs are sold over-the-counter. This should mean an even rosier profit picture, because OTC drugs, especially this new generation of former Rx's, carry even higher profit margin.

Contact lens products, incontinence products, baby needs and diet aids are also expected to grow in the year to come, adding more fuel to HBA sales and profit fires.

Share of Total Store Sales

Mean: **5.3%** Median: **5.1%**

By Store Format

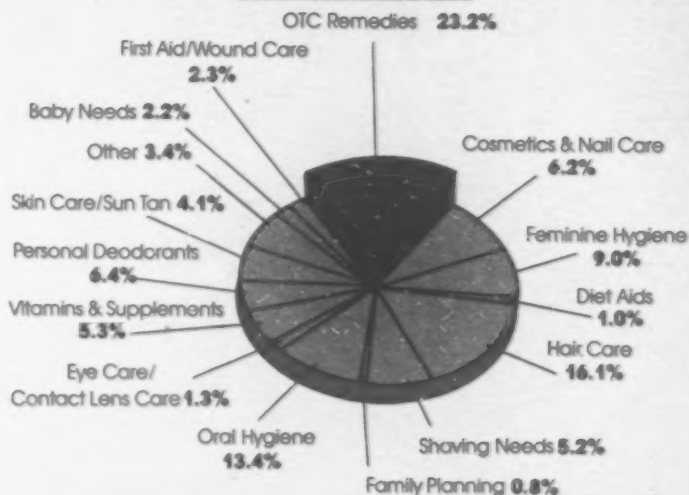
Conventional	3.8%
Super Store	5.5
Superwarehouse	5.0

Gross Margin

Mean: **26.6%** Median: **24.8%**

Less than 20%	15%
20-24	28
25-29	29
30-34	19
34 or more	9
Total	100%

Portioning Out HBA Sales



HBA Products Most Frequently Added Or Given Increased Space

- Eye care
- Baby needs
- Incontinence products
- Rx to OTC remedies

What Will Be The Hottest Products of the 1990's

- Diet aids
- Eye care
- Deodorants
- Environmentally safe products

SPACE AND LABOR

At an average of just under 200 gondola feet, most HBA sections are not extremely large, although the average section in a superstore can be about 100 gondola feet larger.

Employee time in a non-service HBA section, which the vast majority are, is minimal. On average, it requires only 1.7 full-time equivalent employees to run the section.

How Much For Labor

(Labor as percent of HBA sales)

Mean: **3.9%**

Median: **4.3%**

Percent of companies using service merchandisers in at least some of their units: **39%**

Number of Employees

Full-Time	1.2
Part-Time	1.7
Full-Time Equivalent	1.7

Size of Department

Mean: **198 gondola feet**

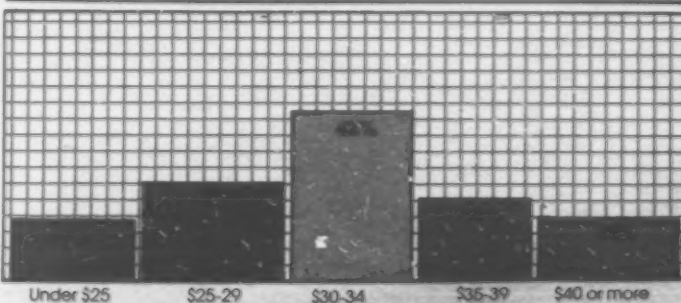
Median: **210 gondola feet**

By Store Format

Conventional	143 gd. ft.
Super Store	294 gd. ft.
Superwarehouse	285 gd. ft.

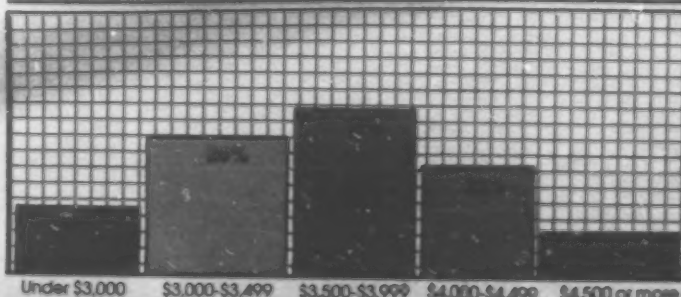
Average Weekly Sales Per Gondola Foot

Mean: **\$32.18**



Average Weekly Sales Per Employee

Mean: **\$3,747**



The competition is fierce. Health and beauty aids have always been an area of sales that is hotly contested.

Neighboring supermarkets compete for HBA sales with each other, as well as with drug stores, mass merchandisers, specialty cosmetic outlets, and discount HBA merchants. Potential profits are high, as well as the power to draw customers.

Since 100 percent of all supermarkets, as well as most of the units among the other kind of outlets, have some kind of HBA section, the advantage in terms of customer draw is no longer in just having the section. Rather, the drawing advantage goes to the store with the more substantial department.

But "substantial" means different things to each retailer. Substantial is only an advantage until it grows beyond the point of diminishing returns.

Operating a successful and profitable HBA section is not as easy as it might appear to the layman. SUPERMARKET BUSINESS prepared the Operations Review of the Health and Beauty Aids section among the nation's supermarkets to ascertain the level of performance of these departments, and their importance to the store's operations.

Last year, our nation's supermarkets reached a new summit as HBA sales soared past the \$1 billion mark. The 1989 total sales of \$10.17 billion represented an increase of 5.1 percent over the previous year.

One aspect of this sales increase is particularly gratifying. Sales increased at a good rate, despite the absence of a large increase in the number of units with an HBA section.

Since there already was a section in every supermarket, the only new sections that opened were in new supermarkets. But the total number of supermarkets did not increase significantly during 1989.

The vast majority (88 percent) of supermarkets report that their HBA sales did increase last year. The remaining 12 percent report no change in their sales. No store reported a decrease in sales.

On average, each supermarket sells about \$6,370 of HBA products during any given week. While stores of different sizes will vary in their weekly

SALES

Health and Beauty Aids is a must section for any supermarket, and has become a part of the way we define the term "full-line." Found in 100% of all supermarkets, HBA products had sales of over \$10 billion in 1989, an all-time high.

The 5.1% sales growth is a function of the growing acceptance on the part of consumers of purchasing HBA products as part of an integrated food/nonfood shopping trip. Increased sales are being enjoyed by the vast majority of all retailers, with 88% reporting higher HBA sales last year.

Pharmacies continue to do well in supermarkets, and to influence consumer shopping choices. Currently, the nation's 3,745 supermarket pharmacies bring in an average of \$11,450 per week in sales.

Health and Beauty Aids Sections

Number of Stores With HBA Sections:	30,700
Percent of Supermarkets:	100%
Number of Stores With Pharmacies:	3,745
Percent of Supermarkets With Pharmacies:	12.2%

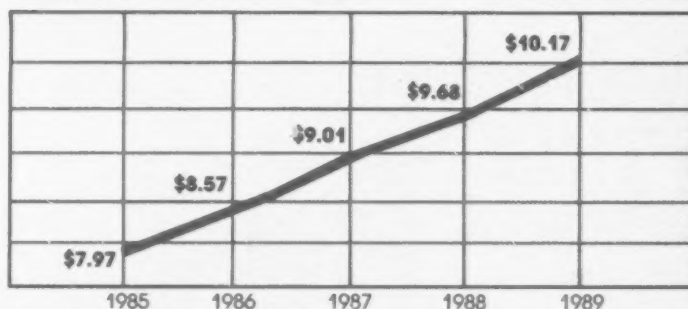
Pharmacy Sales

Total Supermarket Pharmacy Sales:	\$2.23 Billion
Average Weekly Sales Per Pharmacy:	\$11,450
Average Weekly Sales Of HBA	
Mean: \$6,370	Median: \$6,175

Average Weekly Sales:

Less than \$5,500	7%
\$5,501-\$6,000	29
\$6,001-\$6,500	34
\$6,501-\$7,000	21
\$7,000 or more	9
Total	100%

Annual Sales* (billions)



*Excludes sales of prescription drugs

Change in Dollar Sales (1988 vs. 1989)



sales, most fall in a fairly narrow range. Eighty-four percent of all supermarkets have weekly HBA sales that range between \$5,501 and \$7,000, a spread of only \$1,500.

In one respect, HBA sales are somewhat like produce department sales. While departmental sales are generally within a certain range, sales of some types of products are highly seasonal. Cold medications are higher in the winter, and suntan products are strong summer sellers.

Many other HBA products, including vitamins, cough medications, allergy products, some skin care items and lip protectors, are also highly seasonal. Of course, HBA has a large number of staple products that have constant sales no matter what the season—products such as toothpaste, analgesics, certain

cosmetics, shaving needs, antacids, and personal deodorants.

As it stands now, on average, HBA sales account for 5.3 percent of the total sales of the stores that they are in. This percentage does vary considerably according to the kind of store in which the section is located. Sections in superstores carry about 5.5 percent of store sales, while superwarehouses do 5.0 percent, and conventional stores only about 3.8 percent.

This finding is the opposite of that found in several other departments. Usually, a department will have a smaller percentage of store sales in larger stores because of their size and

the greater number of products they carry.

HBA is different because conventional stores do not usually have very large HBA sections, especially with respect to higher-end HBA products. The larger stores do, and are able to achieve a greater proportion of HBA sales.

The HBA section is potentially very profitable. Its average gross margin is 26.6 percent. This fairly high margin, coupled with relatively low labor costs, should garner a good net profit. Exact profit figures are hard to determine, however, because many retailers still lump HBA sales into their grocery department receipts.

Product mix

The HBA section is really a department made up of several

sections. There are over-the-counter (OTC) remedies, oral hygiene products, feminine hygiene products, personal hygiene products, family planning products, first aid, cosmetics and nail care, baby needs vitamins, skin care, shaving needs, and so on.

When it comes to sales, three of these sections dominate the whole department, accounting for over 52 percent of total HBA sales. By far the largest group is OTC remedies, which account for 23.2 percent of HBA sales. These include many different categories of products, such as cough/cold products, analgesics, antacids, and laxatives. Basically, they include any product that will relieve any symptom, ranging from a headache to athlete's foot.

Hair care (16.1 percent) and oral hygiene (13.4 percent) are the other two categories of products that combine with OTC to make up half the HBA sales. Feminine hygiene (9.0 percent), personal deodorants (6.4 percent) and cosmetics/nail care (6.2 percent) are also large sellers.

Retailers report that a number of product categories are or will be fast risers in the HBA aisles. OTC products are predicted to continue to grow, both in sales and in the number of products vying for shelf space.

The category is currently being fueled by a number of formerly prescription-only drugs that have been downgraded to OTC by the Food and Drug Administration. This transition of the status of many of these products from Rx to OTC should continue for several more years as the FDA decontrols more drug formulations. This may have some adverse effects on the pharmacy department, as some sales of formerly high priced Rx products switch to OTC.

Other categories that are showing good growth are eye care and contact lens care, as more and more people are now wearing contact lenses, and need the cleaning solutions. The baby needs section is also growing, as is the relatively new incontinence products section.

In addition, we can expect good growth from dieting aids, as people continue to be more conscious of their health and appearance, and the personal deodorant category.

Another area of growth cuts

MERCHANDISING & PROMOTION

Whenever there is a pharmacy in the store, it is the predominant merchandising philosophy to place the HBA department directly adjacent to that pharmacy. The run-off and cross-merchandising between the two sections improves sales in both.

The department's products are promoted through a variety of methods, the most frequently used being store circulars. These, along with newspaper space and POP materials, make up the bulk of HBA section promotions.

Retailers do not seem to be very concerned about the possible negative connotations of the term "Aids" in HBA. They are mixed, or even indifferent, on whether to support a change in the terminology to "Health and Beauty Care."

Location of HBA Section

(in stores with pharmacies)

Adjacent to pharmacy	98.9%
Away from pharmacy	1.1
Total	100%

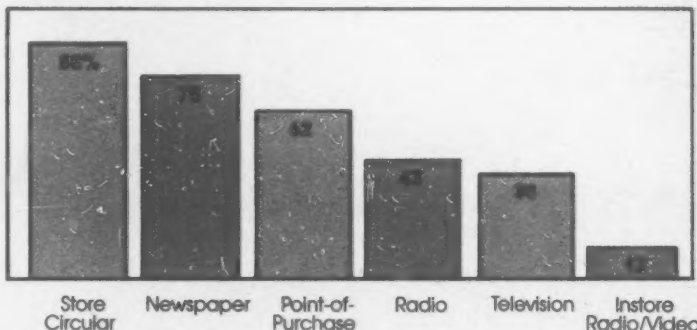
Home Care Section

(percent having separate section)

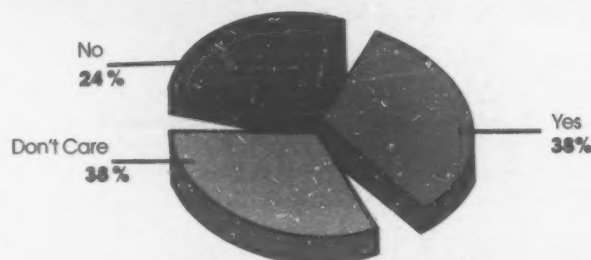
	% companies
None	75%
In some stores	25
Total	100%

Advertising and Promotion

Percentage Using



Should "Health and Beauty Aids" be changed to: "Health and Beauty Care"?



across most product categories. Retailers predict that the "green" product movement will have a strong sales presence in the HBA section. Those products that can make the shift to environmentally safe contents and packaging will grow at a faster rate than those that don't.

Among the products that should be affected the most, for better or worse, are personal deodorants, any aerosol-propelled products, paper-based feminine hygiene and incontinence products, and products such as cosmetics, hair care, eye care, fragrances and other products that may be tested on animals.

Almost a one-man show

Labor does not appear to be as much of a factor in the HBA section as it is in other store departments. On average, most stores utilize just over one full-time employee to run their HBA department. Add to this an additional 1.7 part-time employees, on average, and you

get the equivalent of just 1.7 full-time employees running the HBA section.

Given the few employees needed to run the section, the average weekly sales per HBA employee comes to \$3,747. According to operators, the cost of labor in the HBA section comes to just under 4 percent of their HBA sales. As a result, the profit potential of the department is kept high by low labor costs.

Labor costs are also kept down by utilizing the services of service merchandisers. Thirty-nine percent of the retailers responding claim that they use service merchandisers to handle the HBA sections in at least some of their stores, although not necessarily all their stores.

The section, at an average of

198 gondola feet, brings in about \$32 a week in sales per gondola foot.

One aspect of health care sales that can enhance sales of both the HBA section and the total store is the presence of a pharmacy. By the end of 1989, there were approximately 3,745 pharmacy units operating in the nation's supermarkets. This is up from the 3,150 that were operating at the end of 1986.

This means that roughly 12 percent of all supermarkets also have pharmacies. Annually, these pharmacies account for an additional \$2.23 billion in sales, over and above HBA section sales. This works out to an average weekly sale of about \$11,450 per pharmacy, most of it in prescription drug sales.

Operators use the pharmacy as a natural tie-in to the store's HBA operation. Almost 99 percent of stores with a pharmacy report that they position their HBA sections directly adjacent to those pharmacies.

Having a pharmacy gives a store the extra advantage of having a pharmacist present to answer customers' questions about OTC products. This may be very important to HBA sales, especially since the influx of Rx to OTC products has increased.

Whether there is a pharmacy present or not, home health care has increased in sales in HBA departments. Wound care and first aid, along with home diagnostic kits, have become hot sellers. Manufacturers have urged retailers to merchandise home health care items together in self-contained areas or special sections.

Supermarket retailers have not responded by putting together special wound care or immediate care sections. Seventy-five percent have not established these sections, while 25 percent have done so in some of their units.

Print and instore advertising appear to be the media of choice when promoting the HBA department. Store circulars were used by 88 percent of the operators for HBA advertising, while 75 percent also used newspapers, and point-of-purchase materials were used by 62 percent.

Broadcast advertising is a far less important medium for HBA promotion, with radio, television, and instore broadcasting all being used by fewer than half the retailers.

"Aids" or "Care"?

With the unfortunate connotations of the word "Aids" in today's lexicon, there is a movement to change the term "Health and Beauty Aids" to "Health and Beauty Care". The change has the support of both the Food Marketing Institute and the General Merchandise Distributors Council.

The movement, while enjoying the support of these prestigious organizations, does not have the overwhelming support of retailers. In fact, many retailers are just not very interested in the issue.

Thirty-eight percent of the retailers were in favor of changing HBA to HBC, while 24 percent felt that there was no need to make the change. The remaining 38 percent of retailers really did not care whether the section was called HBA or HBC, as long as it continued to sell and be profitable.

SUPERMARKET BUSINESS

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JUNE 1990

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SUPERMARKET BUSINESS

JUNE 1990

VOLUME 45/NUMBER 6

FEATURES

PRICES—HOW MUCH DO SHOPPERS REALLY KNOW ... OR CARE?

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KEN PARTCH AND DAVID LITWAK

Do you still try for the lowest prices in town? Our exclusive research shows that despite what shoppers say, shoppers really don't know the price of beans—or of most other items they buy.

ASHEVILLE FRESH MARKET'S SECRET WEAPON: EXOTIC FRESH COFFEE

23

LOUIS ALEXANDER

When you don't even try to carry full lines, how do you compete with nearby stores that do? Fresh Market offers special services that keep customers coming back for more.

TYING LEARNING TO EARNING MIKE DUFF

29

The New York State Legislature is considering new restrictions on working hours for employees under 18—including one bill that would tie the ability to work with academic progress. If the measures become law, supermarkets could have even greater difficulty finding workers.

NONFOODS BUSINESS

SUPERMARKETS TURNING PRO TO CONQUER CLASS-OF-TRADE COMPETITION MIKE DUFF

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To meet increasing competition from mass merchants and discount stores, supermarkets need to become more professional in their approach to merchandising their GM/HBA departments.

GM/HBA ISSUES FRANCIS E. WILLMES

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OPPOSITE PAGE 28

BAKERY TECHNOLOGY: NEW SOFTWARE GIVES OPERATORS MORE DOUGH DAVID LITWAK

1A

Store bakeries are catching up with the technological revolution. Computer systems are enabling them to track costs, plan products, and generate profits.

STILL A FUTURE 'IN STORE' FOR SUPERMARKET CHEFS MIKE DUFF

5A

For foodservice products, many stores are relying more and more on outside suppliers. But as a recent competition demonstrates supermarket chefs can still play a key role.

COLUMNS & DEPARTMENTS

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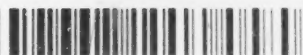
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THE MEANING BEHIND THE DATA



by Ken Parich,
Editor-in-Chief

The May issue of this publication contains the only survey that attempts to quantify the current practice of retailers and wholesalers demanding slotting allowances for new produce introductions. Many manufacturers refuse to pay slotting allowances, but do offer introductory allowances on a per case basis to all retailers and wholesalers alike.

The justification for the practice of asking for slotting allowances is, we are told by many retailers and wholesalers, and by spokespersons for Food Marketing Institute, that manufacturers, today, too often do not do their market research, and therefore, expect the retailer and wholesaler to absorb the cost of new product failures.

Be that as it may, the next obvious question is: Does that mean that if the manufacturer does do the marketing research and can prove good market acceptance, does he receive exemption from the slotting allowance? We heard of one manufacturer who asked this question of the buyer of a large eastern chain, and was told: "Oh, come on. That's just public relations."

So we asked the question again in our survey on slotting allowances. Actually, we made the statement: "Because of so many untested new products, slotting allowances are justified." Then we asked for agreement or disagreement, strongly or somewhat to that statement. The replies: Retailers—84% agreed strongly or agreed somewhat with that statement. Wholesalers—93% agreed strongly or somewhat. Manufacturers—90% disagreed somewhat or strongly (57% disagreed strongly).

Then we stated: "Slotting allowances

are not justified where positive market acceptance can be proved." The findings: Retailers—37% strongly disagreed, and 41% somewhat disagreed; Wholesalers—64% strongly disagreed, and another 22% disagreed somewhat. Of manufacturers, 80% agreed strongly.

Apparently there is a great deal of misunderstanding on this point. It would seem that there is no connection between testing or not testing new prod-

All the money—all the sales revenue in the system—is generated by the consumer. But there seems to be a reluctance to think of it that way.

ucts to either justify or not justify the slotting allowance.

As one head grocery buyer told us (but not for attribution), "Whether or not there is a slotting allowance connected to a new product has no bearing on whether or not we accept that product. All the other criteria for accepting or rejecting a new product still apply." Uh, huh.

Then, in all our follow-up interviews with retailers and wholesalers, we asked: If you have doubts about the potential performance of a new product, why don't you "just say no"? The answers we invariably received ranged from stuttering to voice disappearance to "Well, it's a very complicated subject." Or, "There's sometimes so much consumer advertising connected to it, and coupon drops..." And then it is left hanging.

But there is another statement in our

survey that received even more confusing replies. It is: "Consumers ultimately pay for slotting allowances and other distribution fees." Respondents had four choices: Not true, Somewhat true, Sometimes true and Always true. Retailer replies ranged from: Not true 9%; Somewhat true, 28%; Sometimes true, 22%; and Always true, 41%. Wholesaler replies were: Not true, 29%; Somewhat true, 13%; Sometimes true, 29%; and Always true, 29%. Manufacturers replied: Not true, 4%; Somewhat true, 32%; Sometimes true, 32%; Always true 32%.

We really didn't think that this was a trick question. We thought it might be a thought-provoking question that could lead to good discussion during follow-up interviews. It is curious that many respondents did not seem to realize that all the money, all the sales revenue in the system, is generated by the consumer. Perhaps there is a reluctance to think of it that way.

Finally, one statement received general support from all three industry segments, although there were differences in degree. The majorities of all three segments of the industry, to some degree, felt that greater enforcement of antitrust regulations would be beneficial to the industry.

Bob Aders, president of FMI, called for stronger enforcement of antitrust regulations at the WAFC meeting in Hawaii more than a year ago. It appears that the only strong opposition to antitrust enforcement stems from the regulators themselves. ■

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BY KEN PARTCH AND DAVID LITWAK



PRICES

HOW MUCH DO SHOPPERS REALLY KNOW...OR CARE?

Do you still try for the lowest prices in town? Our exclusive research shows that despite what shoppers say, shoppers really don't know the price of beans ... or of most items they buy.

A number of industry observers have told us that price changes are coming so rapidly that retailers often can't keep up with them. It is also hypothesized that this may be one of the reasons that so many so-called "scanning" scandal stories have appeared in the daily press of late (where prices at the scanner-register often differ from shelf or item prices).

With the proliferation of deals and allowances, double coupons, blizzards of free-standing inserts, the marketplace is awash with pricing static.

If these conditions are so, we

reasoned, then perhaps consumers are also confused about price. And if so—what are the implications?

Since grocery retailers have often lived in fear that the nearest competitor would be two cents cheaper on something or other in the weekend grocery ad, and since most weekly grocery advertising is heavily price-oriented, perhaps there was more fuss being made about price than anybody could reasonably justify.

Why not find out? Why not test how much consumers know—and don't know—about grocery prices?

supermarkets, we targeted two markets that we had previously studied, and in which we knew the prices being charged by the major stores in the area.

The markets in which we conducted the study were Birmingham, Ala. and Phoenix, Ariz. Birmingham was chosen because it is a relatively stable market, and a market where EDLP is well entrenched. Phoenix, on the other hand, is currently a very volatile market, with new players entering the area. EDLP is only being offered by a relatively few stores, while other stores are heavily promoting lower prices and sales.

Telephone interviews with the principal shopper in a total of 480 households in the two markets were conducted by two local independent market research firms. Shoppers were asked where they shopped, how they felt about various issues concerning price, and then were given a list of 25 common grocery items and were asked to give the prices for any items they regularly purchased.

What we found

The results of this study do bring home one cardinal rule of asking consumers questions: "What you hear is not necessarily what you get." This is clear from the way in which shoppers said they felt about price versus their behavior.

When asked, "How impor-

Do "everyday low prices" have more of an effect on consumers' ability to keep track of prices, compared with environments in which the prices are continually changing on account of specials? Are shoppers really going after sale items because they know the savings in the price they will pay?

Previous research studies have shown that only about half the shoppers coming out of a supermarket actually know the prices they just paid at the check stand. This finding was confirmed in a recent study conducted by Peter Dickson, Ohio State University, and Alan Sawyer, University of Florida, titled "The Price Knowledge and Search of Supermarket Shoppers."

"The most important finding is that 50 percent of the consumers were unaware of the price. So only one out of two shoppers was looking at the price," says Dickson.

"They are equally unaware of the price status of the items they bought. Only one out of two shoppers knew if it was the regular price or a special price."

With these problems and possibilities in mind, SUPERMARKET BUSINESS decided to follow up on its study of the viability of the Everyday Low Prices concept, and market pricing studies (see May, 1990 SB), by surveying shoppers on their attitudes towards pricing and their knowledge of prices.

In order to tie in the effects of EDLP and competition among

Shoppers have strong feelings about prices, but ...

How do the prices compare in the store(s) you shop most often with other stores?

	Total	Phoenix	Birmingham
Lower	23%	23%	21%
Competitive	52	48	58
Slightly higher	11	11	9
Regular prices higher, but good specials	8	8	8
Higher	2	2	4
Don't know	4	8	

Does the store(s) you shop feature "Everyday Low Prices"?

	Total	Phoenix*	Birmingham*
Yes	49%	33%	72%
No	38	54	16
Don't know	13	13	12

*Note: 70% of the Birmingham shoppers listed a store that does actually offer "Everyday Low Prices" as the store they shop most often.

**Only 7.8% of Phoenix shoppers listed a store that does actually offer "Everyday Low Prices" as the store they shop most often. An additional 26.4% shop Fry's most often, which has a low price policy, but also offers double coupons.

Do you shop at another supermarket if it offers good specials or a lot of items on special during a particular week?

	Total	Phoenix	Birmingham
Yes	37%	39%	34%
Sometimes	21	21	20
No	42	40	46

How important is price to you when deciding where to shop for groceries?

	Total	Phoenix	Birmingham
Extremely important	49%	43%	58%
Somewhat important	35	41	25
Not very important	11	11	10
Not at all important	5	5	6

tant is price to you in deciding where to shop?" 49 percent said it was extremely important, and 35 percent said it was somewhat important. This indicated that price should be the single most important factor for these shoppers.

Interestingly, in Birmingham, where EDLP is strong, 58 percent thought price was extremely important, as opposed to only 43 percent in Phoenix, although the mean income of our sample in Birmingham was only slightly lower than that of the Phoenix sample.

Responses to other questions seem to indicate that while price is important, it is not of the paramount importance that consumers seem to say it is.

When asked if they shop at a store other than their regular supermarket if that store is having specials on a lot of items they buy, only 37 percent said yes. An additional 21 percent said sometimes, but 42 percent indicated that they would not switch to another store for a par-

ticular shopping trip just to get the special prices.

There were no differences in the responses from Birmingham and Phoenix. Therefore, according to our "expert shoppers," store loyalty is not easily given up for special sales—indicating that once you get the shopper to be a regular patron, you have that shopper for quite awhile, unless you do something to lose him.

This concept is somewhat different from conventional thinking on competition. You may be more likely to lose a customer because of something you do, or fail to do correctly, than because of something your competition does to entice them away.

"If you want to influence a shopper, do it when they initially get into the neighborhood," suggests Dickson. "Once they get into their shopping habits, either in terms of store choice or the way in which they shop a store, it's hard to change them.

Prices change too often for shoppers to know current prices.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
Total	29%	37%	26%	8%	3%
Phoenix	19	35	32	5	3
Birmingham	42	33	14	5	6

Prices change too often to be justified.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
Total	30%	33%	23%	8%	6%
Phoenix	21	32	29	10	8
Birmingham	43	33	13	5	6

Retailer is making too much money on the grocery bill.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
Total	30%	30%	19%	7%	14%
Phoenix	27	26	21	7	16
Birmingham	33	39	15	3	10

Manufacturer is making too much money on the grocery bill.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
Total	29%	34%	16%	6%	15%
Phoenix	26	32	19	5	18
Birmingham	33	36	11	8	12

Manufacturers are introducing too many new products that aren't really new or necessary.

	Strongly Agree	Somewhat Agree	Somewhat Disagree	Strongly Disagree	Don't Know
Total	41%	25%	20%	6%	8%
Phoenix	36	27	24	6	7
Birmingham	48	22	13	4	13

"It's well worth the initial investment to get the customer when they enter the market, because you may have them for a long period of time."

Price is often one good way to get that new customer, along with location, convenience, service and variety.

Another indication that price may not be as big a factor as shoppers indicated is in how they rate the pricing policy at the store they shop in most often. Only 23 percent of the shoppers said that their store had lower prices than the other stores in their area.

The majority (52 percent) felt that their store was competitive, but not necessarily the lowest. Eleven percent even said that their supermarket's prices were slightly higher than the competition. Shopping at a store that had higher regular prices, but that offered a lot of good specials, only appealed to 8 percent of the shoppers.

Again, there were no differences between the responses in

the two cities we studied. This suggests that when it comes to behavior, shopping habits and choices do not differ according to whether a market is heavily EDLP or not.

The findings seem to point to the conclusion that consumers want to feel that they are getting a fair price or a good deal. They do not need the absolute cheapest price, as long as they are getting convenience, or quality, or service.

But it would be dangerous to overstate the lack of importance of price. After all, we did find that 50 percent of the people we interviewed (in the Dickson and Sawyer study) knew the prices.

"A lot of shoppers have to feel they are getting a reasonable deal on price. If they perceive that they you have screwed something up on price, they will go elsewhere," warns Dickson.

Shoppers, it seems, are very opinionated when it comes to price issues. For instance, the majority of shoppers agree that

... many don't really know what they are paying.

Item	PHOENIX			BIRMINGHAM		
	% Purchasing	%* Who Think They Know Prices	%** Guessing The Correct Price	% Purchasing	%* Who Think They Know Prices	%** Guessing The Correct Price
Whole milk (gallon)	49%	96%	35%	66%	66%	72%
Iceberg lettuce (head)	79	94	73	83	83	30
Bananas (1 lb)	79	92	83	90	80	68
Rice Krispies (13 oz)	24	84	42	28	75	60
White bread (1 lb loaf)	57	98	24	75	89	46
National brand frankfurters	50	93	55	46	85	65
Oscar Mayer bacon	27	92	32	34	74	47
Local brand chicken breasts (lb)	51	80	22	44	68	42
Chicken of The Sea tuna (6½ oz)	42	97	90	52	77	49
Lean Cuisine (Glazed Chicken)	11	84	32	19	63	43
Kraft American Singles (16 oz)	50	85	19	62	65	20
Canned cat food (6 oz)	14	100	70	15	73	37
Butter (1 lb)	31	94	53	64	75	71
Dry dog food (10 lbs)	18	94	28	35	67	18
Minute Maid orange juice (12 oz frozen)	36	90	36	41	66	53
Del Monte Green Beans (8½ oz)	46	93	38	52	69	45
Birds Eye Frozen Vegetables in Sauce	20	70	31	23	61	39
Jeno's Frozen Pizza (7.4 oz)	18	94	37	26	85	43
Campbell's Tomato Soup (12¼ oz)	61	89	31	63	83	74
Best Foods mayonnaise (1 qt)	44	79	75	15	33	19
Coca-Cola (2 litre)	45	94	72	61	80	70
Maxwell House coffee (lb)	30	96	36	37	78	47
Liquid laundry detergent (½ gal)	21	80	37	20	70	45
Ground chuck steak (lb)	48	85	47	48	96	71
Crest toothpaste (6.4 oz)	44	81	48	46	74	60

*Based on Percent of those purchasing.

**Based on percent of those purchasing. The range of prices being charged by the market leaders at the time of the survey was used, plus a 5% grace range.

Most shoppers thought they knew what prices they had paid, but relatively few actually did—though price recall in the EDLP market was somewhat better.

prices change too often to keep up with, or to be justified. Shoppers in Birmingham agree with these statements even more than those in Phoenix—which is surprising, given the high penetration of EDLP in the Birmingham market.

When it comes to making money, shoppers think, (surprise!) that both the manufacturer and the retailer are making too much of it. They also agree that manufacturers are introducing too many "new" products that aren't really new.

Shoppers don't know the price

The time has come to separate the men from the boys, the shoppers from the buyers. Taking a page out of daytime TV, we played *The Price Is Right* with the shoppers of Phoenix and Birmingham—and almost nobody won.

Of the shoppers who regularly purchased each of the 25 grocery products on our list, most thought that they knew the correct price. This is especially

true in Phoenix, where for most of the items, over 90 percent of the purchasers believed they knew the prices they were paying. In Birmingham most of the items only inspired confidence among 60 percent to 85 percent of the purchasers.

To fairly measure who actually knew the price of an item, we decided to give the shoppers a reasonable amount of latitude. Instead of making them give us the exact price charged at the store in which they regularly shopped, we accepted any price that was within 5 percent of the range of prices charged for that item by the market leaders in that city (five retailers in Birmingham, seven in Phoenix).

All this was done to counteract the effects of advertised prices in the market, and general confusion based on "price-noise."

Despite these efforts to help the shoppers get the right answers, less than 50 percent of the shoppers surveyed knew the correct price for the vast major-

ity of items they bought. Far more people thought they knew the price than actually did.

In some cases, prices of items that are more often on special, such as Coke or tuna, were remembered more accurately than some of the others, but not often enough to allow any concrete conclusions to be drawn.

EDLP seems to have a positive influence on price recall. Generally, shoppers in Birmingham had higher price recall than did their Phoenix counterparts—despite having less confidence that they knew the prices.

This could be a result of there being less price advertising and fewer specials in that market—and thus, less "price-noise."

One final note worth mentioning is that, for the majority of items, the prices given by shoppers were lower than those they had actually paid. This may mean that once shoppers established a reference price for an item, they tended not to pay very much attention to price increases for that item. ■

In a move that may have national implications, New York legislators have devised measures to cut teenagers' working hours, and possibly tie employment to school progress.

TYING LEARNING TO EARNING

BY MIKE DUFF

Two bills under consideration by the New York State Legislature, which would restrict working hours for employees under 18, may portend a labor crisis for supermarkets already having trouble finding workers.

One bill, introduced by Sen. James Lack (R-Suffolk) and under consideration in the state senate, would cut the maximum hours that 16- and 17-year-old employees could work per week from 48 to 28 when school is in session.

The bill, based on recommendations from a committee formed by Gov. Mario Cuomo, also would restrict the time students could work on days before school days to four hours—a standard that now applies to 16-year-olds—and to no later than 10 p.m., rather than midnight, as currently is allowed. But the provisions about hours before school days still may be subject to compromise to allow longer work days on Sunday.

The second measure, being developed by Assemblyman Frank Barbaro (D-Brooklyn) has not yet been introduced and still is under discussion. But the centerpiece of the legislation is a proposal to tie the ability to work with an employee's academic progress.

Coming on the heels of the United States Department of Labor's drive to boost enforcement of child labor laws nationally, the initiatives are likely to gain the attention of lawmakers, educators and union officials nationwide who wish to restrict working hours of high school age part-timers.

Not surprisingly, the New York State Food Merchants Association and several super-

market companies are actively opposing the measures. The association and supermarket operators—including Ron Springer, manager of human resources for Hannaford Bros.; William Vitulli, vice president of community and government relations for A&P; and Tom Reilly, assistant to the director of personnel and labor relations, King Kullen—testified against the Lack bill at hearings held in Albany on Jan. 30 and in New York City on Feb. 5.

Organizing resistance

Connie Barrella, director of political programs for NYSFMA, is organizing supermarket industry opposition to the measures. She believes that in this situation, as in the case of New York's beverage container deposit law, supermarkets are being asked to bear the brunt of reforms designed to ease social problems they haven't caused.

"This bill is heavily weighted toward labor and educational concerns," she says. "It looks like the education lobby is look-

ing for someone to put the blame on for poor student performance. This all makes good press. But supermarkets can't get people to work now, and the state can't enforce existing child labor laws. We're talking about children bagging groceries—not sweatshops, which exist in this state. We don't want to see a change. We want to see more enforcement of existing laws."

Enforcement is a key issue for supermarket operators who argue against the measures. According to Bill Vitulli of A&P, proponents are emphasizing child labor law violations to justify more restrictive legislation. But if current laws can't be enforced, more restrictions only make policing the system more haphazard—not to mention the potential harm that may do to the families whom, ultimately, the legislation hopes to protect.

"Why make it more stringent?" he asks. "Everyone's heard about the violations Elizabeth Dole (U.S. Secretary of Labor, and initiator of the Labor Department's upgraded en-

On the basis of studies, educators are pointing to about 20 hours a week as the maximum time the average student should spend pursuing non-school activities.

Average Proficiency for Eleventh Graders by Hours Worked*

Hours Worked ¹	Mathematics	Science	History	Literature	Reading
None	307	292	288	289	57
Less than 6	309	299	292	291	58
6-10	307	296	287	288	57
11-15	309	299	291	290	58
16-20	308	297	289	289	57
21-25	303	293	281	281	55
26-30	299	285	276	277	54

*The proficiency scales for mathematics, history, literature, and science range from 0 to 500, while the reading scale ranges from 0 to 100.

forcement program) found. That's under the present law. What is the point of making it even tougher to comply? Don't pass legislation just for the sake of passing legislation. Get the people who are violating the laws to comply with them now.

"We've had no complaints regarding flexibility of hours. There's no evidence anyone's been hurt working these hours. For generations, the supermarket industry has provided work for young people. It provides college tuition. It helps pay household expenses. Our feeling is that parents should determine what hours their kids can work. In many cases, parents need that income."

Vitulli says that A&P is careful to remind its store managers about the need to heed child labor laws because violations encourage the kind of legislation now under consideration. But if such measures are passed, he says, consumers will bear the burden of increased labor costs and less service.

"The impact on our operation would be severe," says Vitulli. "By cutting back on labor, service at the checkouts is going to be poorer. The shelves aren't going to be as well stocked, because these are the people we use along with the full-timers to get the job done."

"If you drive around New York or New Jersey, you see 'help wanted' signs all over the place. We have 24-hour operations. It's the part-timers that give us the flexibility of those working hours. And with labor representing about 66 percent of the cost of operating a supermarket, you need flexibility."

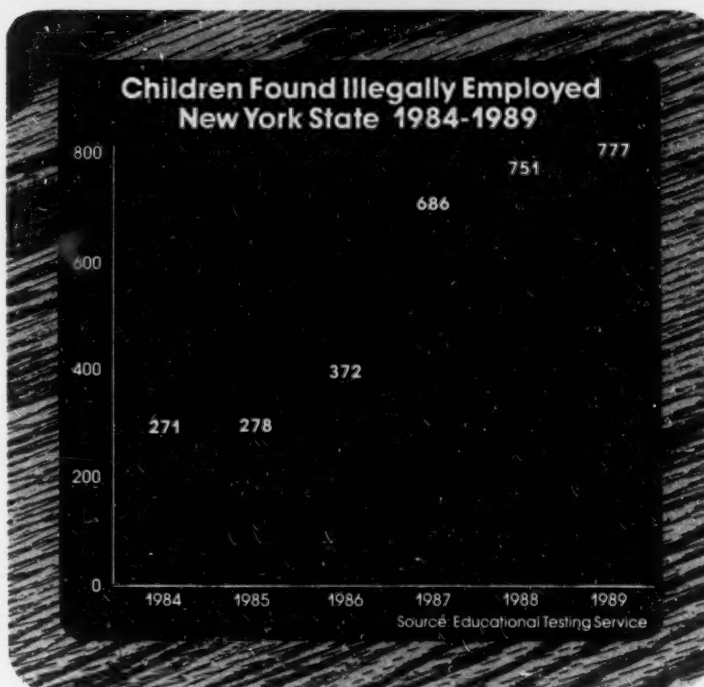
Starting on the right food

He adds that he and many other supermarket executives started out in their teens as part-time workers.

"So many of us worked part time at A&P while we were going to school," says Vitulli. "At the time I worked, my income was very necessary for my family. It certainly had no adverse effect. That's why we are opposing these changes. The laws as they exist now should be enforced."

In his testimony, Tom Reilly of King Kullen also pointed out the positive effects of working in the industry and negative effects on supermarkets and their customers of further restricting the labor pool.

According to Connie Varcasia, a legislative assistant to Sen. Lack, the intent of Lack's bill is to keep students focused on school. "The senator feels that the most important work of our youth is education," she



In spite of strong state regulations, more students are taking jobs in the "underground" economy, where safety isn't regulated.

says. "If students are working excessive hours when they are 16 or 17 years old, they aren't going to be able to avail themselves as well of the benefits of education."

She argues that the vocational benefits students gain at work are eroded by over-long hours. "They are going to need their education when they are adults in the work place."

Fatigue noted

George Mayer, a teacher in the Commack, Long Island school system who testified in favor of the Lack bill, says that out of a class of 25 students on any given day, he says 10 of those kids appear exhausted and, of those, eight or nine will have worked until 10 o'clock or later the night before.

Reilly notes that at the hearing, as with most such meetings, one side presented its arguments and studies, and the other disputed them. But the fact remains that in the absence of vigorous enforcement, new laws aren't going to work. Indeed, by tightening restrictions, the people who are adhering to the law will be dramatically affected, while chronic violators probably will continue with their current practices.

"The people who are out violating the law, fine, go after them," he says. "I'm sure there are people out there abusing the law, but the supermarket industry is working hard to monitor itself."

Proponents of the restrictive legislation point to studies that show that students who work

moderate hours—up to 20 hours a week—score higher on standardized tests than do students who don't work or those who work more than 20 hours.

Mayer, who is also president of the Commack Teachers Association and a member of the New York State United Teacher's Board of Directors, adds that, according to the studies he has seen, only one student in 10 saves money he or she earns during high school for future use. In the suburban school system where he teaches, students mostly work to earn pocket money for cars, clothes and partying.

Although he and the other advocates of restricted youth labor hours concede enforcement will be difficult, Mayer says that setting higher standards will make it easier to curb the worst abuses.

"Everyone becomes a little more scrupulous," he says. "The fact that enforcement is going to be difficult doesn't mean we shouldn't do it. It will make it easier to back abusers out of the scene."

Not only work studies point to 20 hours as the optimum amount of time students should devote to interests outside school, says Donna Lynch, a teacher at Shenendehowa High School, Clinton, N.Y., who also testified at the hearings. She says studies of athletes indicate they also should limit their sporting pursuits to about 20 hours a week, and she adds that teachers are looking at that time frame as a standard for most activities outside of school.

"It's discouraging to see kids fall asleep in class because they've worked too many hours," she says. "And when they're in trouble in class, but can't come in after school for extra help because they have to work."

Lynch says she hopes schools and businesses can form partnerships to monitor performance in school and at work so that students can be good workers now and in the future.

"Using such a system, we can send supermarkets students who are motivated, who don't have grade problems, who can manage their time and will show up to work," she says.

Given the right regulations and cooperation from business, high schools can set up programs that grant permission for students to work on the condition of academic progress, and that monitor students after they are employed. "We need businesses to say to young employees who are not doing well, 'You've got to work harder in school and to cut back on hours if there are problems.'"

Although she concedes that enforcing tighter regulations will be difficult, with both the federal and state governments slashing budgets, she hopes that programs can be developed that will aid students with pressing needs to work.

Many of the concerns cited as necessitating stricter employment standards for young workers reflect middle class, suburban situations, proponents of the legislation admit. But they hope that truly needy students, especially in the inner cities, can be dealt with on a case-by-case basis that takes into consideration their circumstances.

Critics of the legislation argue that cutting the hours students are eligible to work in legitimate jobs—such as are offered in supermarkets—will drive more kids into the underground economy, where they may be exposed to hazardous conditions and where they don't pay taxes. And, critics point out, such legislation could lead to more drop-outs.

That's why a spokesperson for Assemblyman Barbaro says he is approaching legislation tying job eligibility to academic performance slowly, trying to consider all aspects of the legislation's impact on high school students.

"That's why we're doing our review very carefully," says Shellie Melnick, a legislative aid to Assemblyman Barbaro. "We wouldn't want that to encourage anything negative." ■

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FRANK HAMMEL

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SPECIAL REPORT: 1990 FOODSERVICE OPERATIONS REVIEW 1A

DAVID LITWAK AND JANET TORRES CEPEDA

Can supermarkets really be winning the foodservice wars? Yes, if sales alone are considered ... but costs are rising faster than profits.

LEASED AND FRANCHISED BAKERIES: MORE RECIPES TO CHOOSE FROM 13A

MIKE DUFF

More companies are willing to run full-service bakeries for supermarkets ... and more supermarkets are likely to take advantage of what can be a relatively easy, low-cost way to upgrade their bakery department.

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IS ONE-STOP SHOPPING OUTDATED?



By Ken Parich,
Editor-in-Chief

There is probably no more over-worked expression in retailing for the past 40 years than "one-stop shopping." It slips out so easily that it is almost as if it comes pre-printed on the paper of every news release ever written about a new retail store.

Every speech ever given by every retailing executive about a new store in every field from supermarkets to drugstores to do-it-yourself stores to general merchandise stores and probably hardware stores, explains that the store was designed to offer one-stop shopping to the shopper.

Perhaps it's time to take another look and to ask: Is that what the customer really wants, or is it what the retailer wants? Personally, I would rather go looking for a specialty store in any category in which I may want to make a serious purchase—from hardware to stereo to photo equipment.

Now, according to an article in a recent issue of *The Wall Street Journal*, the general merchandise discounter seems to have outlived its time. First of all, this is the age of the specialty discounter, in goods from fashion apparel to major appliances, which doesn't leave the traditional general merchandise discounter much room to play around in.

What every retailer fails to grab sufficiently is that no smart shopper wants to shop in a department or category where the selection or the choice is severely limited unless the shopper is in a terrible hurry and/or very lucky. This is true of sporting goods, cameras, cosmetics, housewares or major appliances—it doesn't matter.

Only a poorly informed shopper wants the retailer to make the selections for him in advance. This is one of things that sounded the death knell for many department stores. Only recently did I discover that you don't buy hairbrushes in department stores except at Christmas. After Christmas, they don't have them. You go to a drugstore for hairbrushes.

Of course, you can over-specialize. When few people can any longer use a



Why are supermarkets always trying to re-invent the general store? Because every now and then you might tie into a bell ringer like greeting cards, photo processing or video rentals.

needle and thread, to say nothing of a sewing machine, it is a bad time to be in the notions and needle trades. But even in this highly disposable society, now and then one does need a piece of ribbon, or a ball of twine, or a cotter pin. These are things no decent society should be without.

But in these days of the K marts, the Caldor's and the Bradlees, one can often learn that for every relatively simple task you can undertake around the house, it is often necessary to make three or four stops because each "one-stop" outlet you tackle seems to be out of what you want. Who are those little out-of-stock tags on the peg boards for, anyway?

Do-it-yourself and home center discounters are also facing hard times. Why? Three things come to mind: a vast shortage of people to offer help and advice, horrendous out-of-stocks, and a checkout system that seems to have been invented by Laurel and Hardy. Put that together and you have a formula for no-stop shopping.

All this being the case, why, then, are supermarkets constantly trying to re-invent the general store? Because every now and then, with things like photo processing, video rentals, HBA, and greeting cards, you tie into a bell ringer. It never happened with phonograph records (although CDs seem like a natural), and it has taken more than 25 years to really sell cosmetics in supermarkets.

The pharmacy and the supermarket seem to be a natural, but not the variety store, and not the general merchandise store—unless. The "unless" seems to be—unless your name is Fred Meijer and not Fred Meyer. What's the secret? It could be "people talent." Talent in finding, training and motivating the right people.

In taking a fairly close look at the Meijer stores, it's the only tangible thing I have found so far that sets them apart. According to a survey conducted by a local newspaper in Columbus, Ohio, 40 percent of Meijer's customers shop the stores four times a month or more for a median of 2.2 times a month. That also might have something to do with why Meijer hypermarkets might work. It has got to be more than the one-stop shopping myth. ■

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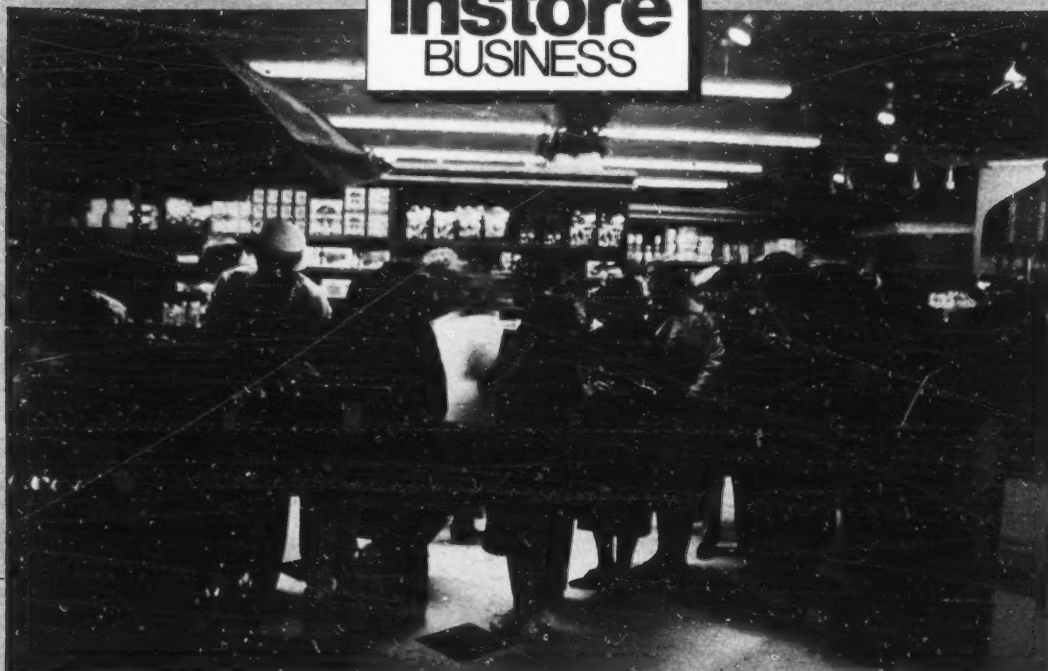
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SUPERMARKET BUSINESS

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BUSINESS



FOODSERVICE DEPARTMENT

1990 OPERATIONS REVIEW

Competition is heating up around the nation's foodservice kitchens. Once thought by the restaurant/foodservice industries to be an amateurish entry in their business, supermarket foodservice has definitely come into its own... and it continues to move ahead with a vengeance.

For years, INSTORE BUSINESS has been chronicling the rise of supermarket foodservice, discussing the trends and tracking the increasing number of departments and sales. This has always been a pleasant task, but the nature of the job is rapidly changing.

With the magnitude of growth that instore foodservice has recorded in recent years, traditional foodservice outlets are no longer amused by supermarket competition. They are, in fact, becoming more aggressive in their efforts to gain back their lost sales.

Can supermarkets really be winning the foodservice wars? Based on sales, the answer seems to be yes. But costs are rising even faster than profits.

The competition continues to escalate, which is inevitable given the amount of money that is at stake. So, as we offer this 1990 Operations Review of Foodservice Departments, we might as well label ourselves war correspondents. For war is what it surely will be.

In the skirmishes to date, supermarkets have done extremely well. Sales of prepared foods through supermarkets have almost doubled in the last two years. They now stand at \$3.88 billion.

It would appear that unless traditional foodservice establishments can mount an effective counterattack, the outlook for instore foodservice sales is to continue in one direction—up.

Sales go through the roof

For sales to have increased almost 100 percent in the space of two short years, something

BY DAVID LITWAK
AND
JANET TORRES CEPEDA

really dramatic must have been taking place. In fact, two things are going on concurrently: increased interest on the part of consumers, and increased interest on the part of operators.

Consumers are really accepting supermarket foodservice fare with a level that has increased steadily over the last few years. This trend continued during the last 12 months. A year ago, we reported that average weekly sales of prepared products in the supermarket were \$2,724. Today, weekly sales average \$3,720, an increase of about \$1,000 per week. Spread this increase over the 17,776 supermarkets that offer foodservice, and you have \$17.8 million a week in extra sales across the country.

Other than the excess sales dollars that are generated, this statistic is encouraging because it indicates just how well supermarket prepared foods have infiltrated consumer eating habits. If increased sales of this magnitude can be used as a barometer, then it seems that consumers have tried, tasted and come back to the supermarket for prepared food products.

This is a tribute to the improved quality and taste of these products, as well as their perceived value and convenience. Consumer acceptance hinges on how well they like the product—meaning its quality and taste. Obviously, more and more consumers have been satisfied with these elements in supermarket foodservice.

Price, or perceived value, has always been important to the consumer. In an era when "fast food" has become increasingly more expensive, the cost of supermarket prepared foods is often more affordable. This is especially true in a perceived-value sense that takes into account the quality of the products as compared to those offered by the drive-through hamburger franchises.

If there is any factor that appears to be holding back supermarket prepared foods, it may be convenience. Not the convenience of the products themselves, but the inconvenience of buying those products. Studies have repeatedly shown that convenience is rated right after quality as an impor-

tant factor in choosing a prepared meal.

If your customer has to stop in your store to pick up some grocery items anyway, then your deli is the most convenient place in town for her to purchase a prepared meal. If, however, there is no additional grocery shopping on the agenda, your prepared food section may well not be as convenient as the drive-through fast food factory, or the takeout shop that never has a line, or the home-delivered pizza.

In a recent consumer poll conducted by INSTORE BUSINESS (see May, 1990), 35 percent of those questioned indicated that it was just too inconvenient to shop for prepared meals in a supermarket, especially if they

Prepared Foods Census

The sales of prepared foods in supermarket delis increased to a whopping \$3.88 billion in 1989. This increase was fueled by the addition of 834 supermarkets that started selling prepared foods last year. Consumers responded to supermarket prepared foods by purchasing the foods in greater quantities than ever before. On average, each store sells \$3,720 in prepared foods each week.

Most delis now sell a combination of hot and refrigerated prepared foods. Indications are that the cold foods will continue to rise at a faster rate than the traditional hot prepared foods.

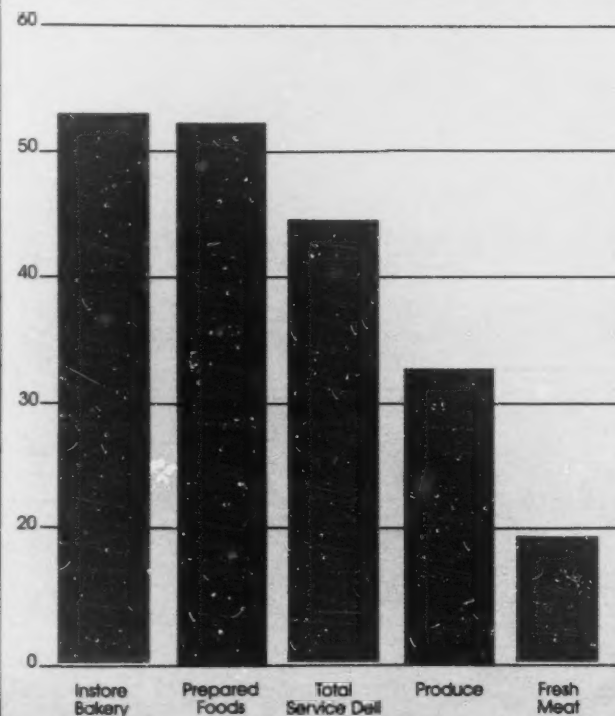
The profits from these foods continue to be strong. With gross margins of 52.2 percent, prepared foods contribute roughly 5.1 percent to a store's bottom line, based on an average of 2.1 percent of sales.

Prepared Foods Sections

	Number of Supermarkets* Selling:	Percent of Total Units With Instore Deli's Selling:
Any Prepared Foods (Hot or Cold)	17,776	88%
Hot Foods	15,958	79
Refrigerated Prepared Foods	15,554	76

*5% of these stores started selling prepared foods in 1989.

Gross Margins of Various Store Departments



Sales & Profits

Prepared Foods Share of Total Store Sales

Mean **2.1%** Median **1.5%**

Contribution of prepared foods to store profits

Mean **5.1%** Median **5.2%**

Annual Sales 1987

Prepared foods **\$3.88 Billion**

Average Weekly Sales

Mean **\$3,720** Median **\$3,397**

Weekly Sales

\$2,000 or less	3%
\$2,001-\$3,000	7
\$3,001-\$4,000	53
\$4,001 & Over	37
TOTAL	100%

Average Gross Margin of Prepared Foods

Mean **52.2%** Median **51.2%**

Gross Margin

Less than 40%	2%
40-50%	22
51-55%	12
56-59%	61
60% and over	3
TOTAL	100%

are just stopping to pick something up for dinner on the way home.

This issue is becoming the front line of fast food counterattack. Since they can't compete with supermarkets on perceived quality of the products, variety of menu items, or even price in most cases, fast food restaurants have started promoting their image of being "fast," or more convenient all around. They have not missed an opportunity to point out that it may take you less time to get your dinner from them than it takes you to walk across the parking lot, into the store, and get up to the supermarket deli line.

More supermarket operators report having taken some steps to combat the convenience problem. The rise of packaged refrigerated prepared foods—which 43 percent of the retailers expect will increase in sales during the next year—will help make buying these products much more convenient. Adding separate deli department checkouts, moving the departments to the front of the stores, and in some stores creating drive-through windows, will help boost the convenience image of supermarket prepared foods.

Greater customer demand is not the whole explanation for the huge increase in prepared

food sales last year, when sales reached their current level of \$3.88 billion from \$2.4 billion at the start of the year. A good share of the credit has to be given to operators who, for the most part, responded to consumer interest.

Retailers responded in two ways. First, they gave their customers a greater variety in prepared foods items—both hot and cold, and both service and self-service. Secondly, they gave customers more opportunity to purchase those products.

More supermarkets offered their customers prepared foods last year. Prepared foods are now being sold by 17,776 units,

which is an increase of 834 over the previous year. Given the fact that, on average, each of these additional units sells \$3,720 worth of prepared foods per week, it is easy to see how these additional outlets helped propel the increase in prepared foods sales.

With these 834 additional units now offering some type of foodservice, about 88 percent of all supermarkets that have service delis offer prepared foods. Most of these stores sell both hot and cold prepared foods.

The scope and variety of their prepared foods programs varies greatly, from those that offer only simple prepared salads or

Prepared Foods Sales, Labor Products

It was a good year for grocers in terms of increased sales of prepared foods. Eighty-two percent report that their prepared foods sales increased in 1989. Sixteen percent saw no change in sales, while only 2 percent said that their prepared foods sales decreased. The average reported sales gain was 24.9 percent.

Salad bars and hot pizza are the two most popular special food sections among retailers. Pasta and soup bars are also featured quite often in our nation's supermarkets.

Labor costs associated with prepared foods have risen significantly over the past year. It now costs 28.1 percent of prepared foods sales to cover the cost of the labor to produce, maintain and service the products. Part of these higher costs come from the larger percentage (20.2 percent) of trained chefs that are now employed among the instore staffs in supermarkets.

Changes in Dollar Sales of Prepared Foods

(1988 vs. 1987)

Higher	82%
No Change	16
Lower	2
TOTAL	100%
Average Reported Increase	24.9%

Percent of Total Prepared Foods Sales Sold Through:

Service Deli	80%
Separate Hot Service Counter	7
Self-service Area	7
Refrigerated Case	6
TOTAL	100%

How Much for Labor

(As percent of prepared foods sales)

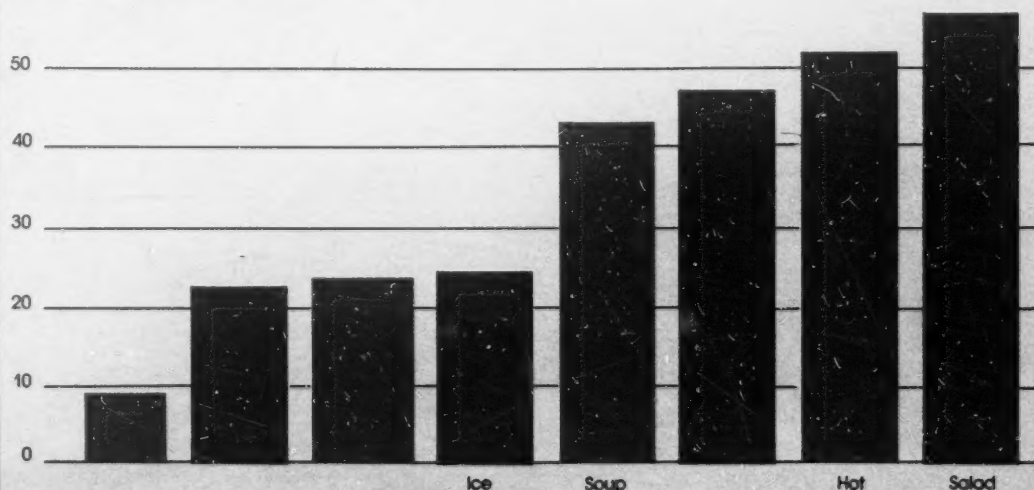
Mean 28.1%	Median 32.6%
less than 15%	5%
15-24	68
25-34	14
35 and over	13
TOTAL	100%

Trained Chefs

Percent of Instore Staff that are Trained Cooks	20.2%
---	-------

Special Foodservice Sections

Percent of Companies



fried chickens to those that offer a full line of entrees and side dishes. Pricing points also fluctuate across a wide range, from moderate to gourmet.

It is extremely hard to define what exactly prepared foods are, or what they aren't. Therefore, the \$3.88 billion sales mark is really an estimate, given what has traditionally been categorized as a prepared product.

It can be argued that virtually everything sold by the deli can be classified as a prepared food. For our purposes, however, we have limited the definition to include only value-added products that would constitute a significant part of a meal. By this definition, cold cuts or sliced cheese do not qualify unless they are part of a sandwich. Traditional prepared salads, such as cole slaw, macaroni or potato salad, also do not count.

Even without these products, prepared foods constitute about 36 percent of all service deli sales. While the deli is still very much dominated by sliced meats, cheeses and prepared

salads, prepared foods have gained significantly in their share of deli sales over the past few years. They are also the fastest growing products in the deli, so their importance to the department will increase in the years ahead.

The profit potential of prepared foods has not escaped the gaze of those retailers whose eyes are pointed at the bottom line. With an average gross margin of 52.2 percent, prepared foods contribute an average of 5.1 percent of the overall net profit of the store.

The gross margin of prepared foods fell slightly during the past year, from a high of 53.4 percent the previous year. This is probably due to more costly packaging, more costly ingredients as a result of concentrating on health issues, and increased competition. Despite this, prepared foods are second only to the instore bakery when it comes to gross margins of service departments.

An increase in the variety of prepared products, improve-

ments in taste and quality, and increases in the volume of product moved all translate into higher labor costs. Unfortunately, the increase in the amount of sales needed to pay for labor was significant. Labor costs rose from 17.6 percent in 1988 to 28.1 percent last year.

Chefs don't work cheap

One reason for this is the increased number of prepared products that are being offered. Another reason is the extra service personnel needed to handle customer requests.

Despite the gain in popularity of packaged refrigerated prepared foods, 87 percent of all sales come from service counters. This pattern is likely to continue; 57 percent of the operators indicated that they expected their prepared food sections to go to even more service in the future.

The personnel servicing the prepared foods section continue to get more expensive. There was a 33 percent increase in the percentage of the deli staff

that were trained cooks. These higher-priced employees now compose an average of 20 percent of the store's instore employees, up from the 15 percent the previous year.

The need for more trained chefs was brought about by an increase in the number of prepared products being produced instore. Currently, 25 percent of all prepared foods are cooked in the store's own kitchen. This is an increase from 17 percent the year before. Fifty-six percent of retailers indicated that they will be producing more foods instore in the future.

Down slightly is the percentage of foods bought from foodservice suppliers, which fell from 77 percent to 71 percent. Although the total percentage of foods from foodservice companies has declined somewhat, many retailers have gone to buying much of their prepared foods instead of making them. Thirty-nine percent of the retailers felt that they would be buying more of their products

Continued on page 11A

Eating Areas

Grocery operators seem to be cautiously moving more in the direction of offering some kind of instore eating sections that sell and serve meals. Snack bars are the most popular of these sections, with 2,222 now operating. The number of restaurants and cafeterias in supermarkets has reached 384. While still extremely small, this number has grown considerably over the last three years.

With gross profit margins for these eating sections in the mid-50 percent range, a well-run snack bar or cafeteria/restaurant can be very profitable. Generally, the running of these sections falls to the deli manager, especially among the snack bars. Restaurants have a separate management in about 25 percent of the cases.

Newspapers are the media of choice when it comes to promoting instore foodservice. Store circulars, sampling and POP materials are also widely used to advertise the foodservice offerings in supermarkets.

Stores With Eating Areas

	Number of Supermarkets	Percent of Stores with Delis Having Each Section
Snack Bars	2,222	11%
Sit-Down Restaurants/Cafeterias	384	1.9
Sit-Down Eating Areas	14,544	72
Drive-Thru Areas		<1%

Average Size of Sit-Down Restaurants/Cafeterias

1,440 sq. ft.

Average Gross Margins of Eating Sections

Snack Bars	53.0%
Restaurants/Cafeterias	54.6
Off-Premise Catering	63.4%

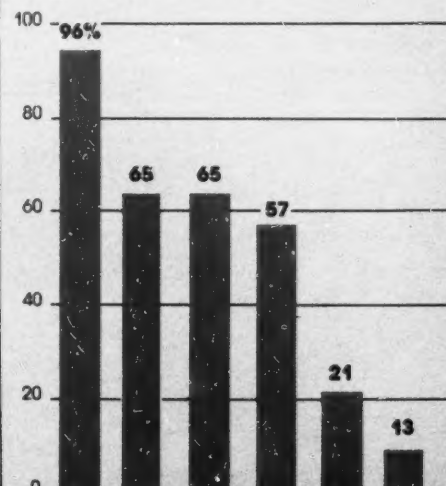
Who Manages the Sections

	By Deli Dept.	As Separate Section
Snack Bars	100%	—
Restaurant/Cafeteria	75	25
Off-Premise Catering	100	—

Do You Consider Instore Eating Facilities :

Image/Traffic Builders	13%
Profit Centers	0
Both	87
TOTAL	100%

Advertising and Promotion Instore Foodservice



from foodservice suppliers in the future.

The industry appears to be going in two directions at the same time. As some operators go more toward instore production, some are leaving production behind. The latter group consists mainly of those that have expressed concern over safety issues and potential liabilities should something go wrong. Safety of prepared foods continues to be the most significant issue that retailers face concerning these products.

For those operators that choose to buy prepared foods, many have found their way to foodservice suppliers. Having long been unsuccessful in their efforts to reach supermarket outlets, traditional foodservice suppliers seemed to have finally bridged the gap.

Eighty-nine percent of foodservice products and ingredients are bought from these companies. Another 9 percent of the ingredients are taken from store inventories, while only 2 percent come from grocery wholesalers.

Due to a combination of factors, including the increased variety and quality of products, safety concerns, and conven-

ience factors, cold food sales are the wave of the future. When asked what kinds of prepared food products they expected to offer in the future, the overwhelming majority of retailers said "refrigerated."

When talking about entree items, 65 percent of the operators predicted that they would offer more refrigerated foods, with only 10 percent opting for more hot items. The remaining 25 percent didn't see any changes in their current balance of cold and hot. Seventy percent of the retailers felt that their future side dishes would be refrigerated, with only 10 percent adding hot side dishes.

Eating in

Instore eating is also on the increase. The number of retailers who have taken the extra step toward a fuller-scale foodservice operation has grown.

The number of supermarkets that have an operating snack bar program jumped last year to 2,222, which was up from 1,773 the year before. The snack bar functions mainly as a way to feed the employees, shoppers and area workers. As such, it is in direct competition to the fast food restaurants in the area.

Twenty-two hundred snack bars may not seem like much of a threat to the fast food giants, but each individual snack bar may make a dent in the sales of whatever eating establishment is in or near the same shopping strip. These 2,222 snack bars represent about 11 percent of all the supermarkets that have delis, and the number is growing.

Currently, there are 384 adventurous operators that have taken the leap into the realm of the cafeteria or sit-down restaurant. The figure also grew over the last year, with over 140 new cafeteria/restaurant units added.

Despite the difficulties that can accompany the opening of one of these advanced instore eating sections, the rewards can be significant. Operators report average gross margins of 54.6 percent in their restaurants and cafeterias, and 53.0 percent in their snack bars.

The difficulties lie in making these sections work, and bringing in enough customers to make the margins more than cover the cost of the operation. The larger or more complex the operation, the more overhead you're building into your sec-

tions, and the more potential cash drain you hang over the head of your whole foodservice program.

Make it work, though, and you can be a hero. Still, there are many retailers who do not feel altogether comfortable with going so far afield from the grocery business.

Most retailers do feel comfortable with giving their customers some chairs and tables on which to eat foods that they have already purchased. There are 14,544 sit-down eating areas in supermarkets. These are in 72 percent of all supermarkets that have a service deli.

A word is in order about the management of instore eating facilities. Virtually all supermarket snack bars are reportedly under the jurisdiction of the deli department. Restaurants and cafeterias are more divided. Currently, 75 percent of supermarket restaurants/cafeterias are managed by the deli, but the other 25 percent are run as separate departments.

This is significant, since last year the figure was only 20 percent. As the restaurants and cafeterias are becoming larger and more complex, operators appear

Continued on page 32A

Prepared Foods Merchandising & Production

Refrigerated prepared foods are the wave of the future in our stores. A majority of operators see more refrigerated entree and side dish products (65 percent & 70 percent respectively) being offered by them in the years ahead. Only 10 percent predict that they will be offering more hot prepared foods.

While the majority of prepared food products (71 percent) are bought pre-made from foodservice suppliers, a growing number (25 percent) are now made instore—which helps explain the rise in labor costs of prepared foods. Some companies will continue to make more of these products instore, while others will choose to increase the number of products they buy.

In Which Direction Will Your Prepared Food Sections Go in the Future

More Service	57%
More Self-Service	43
TOTAL	100%

Types of Prepared Foods Products You Expect in the Future

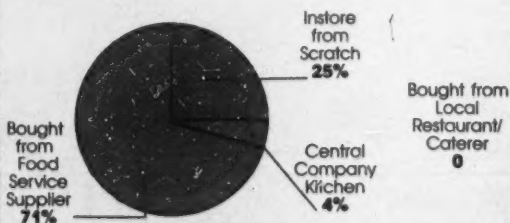
	Entree	Side Dishes
More Hot Foods	10%	10%
More Refrigerated Foods	65	70
No Change	25	20

*Includes multiple responses

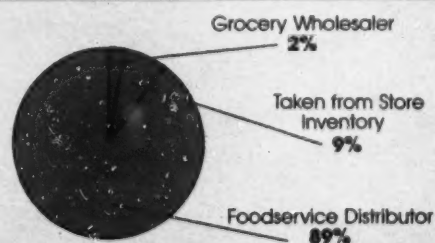
In Which Direction Do You See Your Foodservice Preparation Going in the Future

More Instore	56%
More Central Kitchen	5
More Food Service Supplier	39
TOTAL	100%

How Food Products Are Produced



Where Are Foodservice Products and Ingredients Bought





HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 2/23/90	4 WEEKS ENDING 3/23/90	4 WEEKS ENDING 4/20/90
BABY NEEDS	- 2.9%	- 2.8%	- 8.7%
Baby Powders	- 12.1	+ 0.2	- 21.8
Baby Oils, Creams & Lotions	- 4.9	- 8.3	- 10.5
Infant Clothes	- 7.5	- 6.2	- 2.2
Nursing Supplies	+ 4.0	+ 2.8	- 1.6
MISC. PERSONAL NEEDS	+ 16.9%	+ 9.3%	+ 6.1%
Contraceptives	+ 17.1	+ 14.4	+ 6.3
Personal Lubricants	+ 18.7	+ 16.7	+ 13.1
Home Testing Kits	+ 21.4	+ 15.9	+ 9.2
Thermometers	+ 0.6	- 16.1	- 4.4
DEODORANTS	- 4.5%	- 1.1%	- 0.9%
Sprays	- 12.8	- 10.2	- 13.6
Roll-Ons	- 9.0	- 9.0	- 3.4
Stick Deodorants & Pads	+ 1.9	+ 4.1	+ 8.9
Creams	- 6.3	- 3.8	- 7.4
Deodorants & Talcum Powders	- 23.4	- 3.1	- 10.9
Feminine Hygiene Deodorants	+ 0.1	+ 3.2	- 5.1
Foot Deodorants & Athlete's Foot Remedies	+ 2.5	+ 7.5	- 0.6
Feminine Douches	- 3.6	+ 5.8	- 6.4
FIRST AID	+ 3.7%	+ 3.8%	- 0.6%
Antiseptics	- 1.0	+ 6.2	+ 6.1
First Aid Products	+ 5.1	+ 2.5	- 3.4
Elastic Goods & Dressings	+ 51.5	+ 91.6	+ 88.4
HAIR CARE NEEDS	- 1.6%	+ 1.9%	- 4.5%
Shampoos	- 0.8	+ 0.5	- 7.2
Hair Sprays	- 5.8	+ 2.0	- 4.6
Hair Conditioning Rinses	+ 2.8	+ 4.5	- 2.5
Hair Setting Needs	+ 3.2	+ 7.0	+ 3.3
Home Permanent Kits	- 14.2	- 10.5	- 9.9
Hair Coloring	- 0.4	+ 3.0	+ 1.9
Hair Dressing Needs	- 9.1	- 3.9	- 11.9
ORAL HYGIENE	+ 0.1%	- 1.2%	- 1.8%
Toothpastes & Powders	+ 0.9	- 2.8	- 1.5
Mouthwashes	- 8.0	- 7.9	- 8.6
Breath Fresheners	+ 5.6	+ 6.0	+ 3.5
Denture Cleaners	+ 1.7	+ 3.5	+ 2.6
Denture Adhesives	+ 0.4	+ 1.0	- 1.1
Toothbrushes	+ 7.3	+ 11.8	+ 4.5
Dental Aids	+ 4.6	+ 11.4	+ 5.0
PROPRIETARY REMEDIES	- 10.0%	- 3.9%	- 0.7%
Antacids	- 2.0	+ 2.2	+ 0.6
Internal Analgesics	- 10.4	- 6.1	- 7.6
External Analgesics	+ 19.8	+ 19.1	+ 25.8
Cold Remedies	- 11.8	- 6.6	+ 3.5
Nasal Sprays/Drops/Inhalers	- 8.6	- 2.4	+ 1.0
Chest Rubs	- 28.2	- 17.8	+ 1.4
Cough Remedies	- 21.7	- 12.7	+ 5.8
Laxatives	- 4.9	- 2.2	- 0.8
Sleeping Aids	+ 2.3	+ 3.4	+ 5.9
Tranquilizers	- 17.9	- 19.4	- 16.2
Eye Care Products	+ 3.9	+ 2.4	- 3.8
Appetite Suppressants	- 28.4	- 14.9	- 19.3
Synthetic Vitamins	- 4.7	+ 5.1	+ 1.2
Natural Vitamins	- 1.5	+ 7.3	+ 3.8
Misc. Proprietary Remedies	- 10.6	+ 1.3	+ 5.0
SHAVING NEEDS	- 3.1%	+ 1.5%	- 4.8%
Shaving Creams	+ 5.9	+ 7.1	- 5.4
Pre-Shave Lotions	- 1.7	- 1.9	- 9.0
After-Shave Lotions	+ 3.2	- 3.4	+ 0.2
Razor Blades	- 6.9	- 0.3	- 4.4
SKIN CARE AIDS	- 7.7%	- 8.6%	- 8.3%
Hand & Body Creams & Lotions	- 13.0	- 17.9	- 11.1
Facial Preparations	- 6.9	- 9.5	- 11.1
Lip Care Products	- 13.4	- 8.2	- 2.1
Suntan Lotions & Oils	+ 18.7	+ 13.8	+ 1.4
Cosmetic & Medicated Skin Aids	- 3.3	- 0.9	- 2.8
TOTAL ALL CATEGORIES	- 1.1%	- 1.8%	- 2.4%

HBA UNIT SALES DECLINE IN ALL BUT ONE PRODUCT GROUP

Sharp drops are seen in April movement of baby needs, skin care, hair care, and shaving needs, compared to a year ago.

BY ALAN B. MILLER JR.

So far, this has not been a healthy year for HBA products, either in food stores or drugstores. During the four-week period ending April 20, 1990, combined unit volume in 57 product categories tracked by SAMI fell 2.6% in food stores and 2.4% in drugstores, compared to the corresponding period of a year ago.

At the same time, four-week dollar volume in food stores rose \$11.5 million. This gain was the result of a combination of increased prices as well as changes in the product mix, compared to April of 1989.

The sole product group gain was 6.1% for miscellaneous personal needs, which encompasses such categories as contraceptives, personal lubricants, thermometers and home testing kits. These items have been enjoying continuing gain rates for the past year, although there have been both four-week and 12-week decreases in unit sales of clinical thermometers.

There were two product groups with four-week unit loss rates in excess of 5%. The greatest percentage decline was 8.7% for baby needs, followed by a drop of 6.3% for skin care aids.

Just short of a 5% loss rate were hair dressing needs (-4.8%) and shaving needs (-4.5%). The category ratio of gains to losses was 24 to 33, and nine product categories had loss rates above 10%. Baby powders, down 21.8% in four-week unit sales, topped the list of poorly performing product categories.

Losses for all baby needs

During the April reporting period, all four categories of HBA baby needs recorded loss rates, including nursing supplies, which is the only one of these categories with gains for either the 12-week period or the full 52-week period.

In addition to the sharp drop for baby powder, there was a

loss of 10.5% for baby oils, creams and lotions. There was a modest improvement in the loss rate for infant cloths, from a -5.3% loss for 12 weeks to -2.2% loss for the 28-day time frame.

There continues to be plus volume in the newer categories of miscellaneous personal needs, ranging from 6.3% for contraceptives to 13.1% for personal lubricants.

The only positive trend among personal deodorants and antiperspirants was the perennial strength among stick deodorants. The category's four-week gain rate of 8.9% is higher than both its 12-week increase of 5.0% and its annual gain of 3.5%.

New product activity for both Degree and No Sweat helped to reduce the loss rates for roll-ons from -7.2% for the 12 weeks to -3.4% for the April reporting period.

First aid antiseptics had a four-week decline in spite of a 6.1% increase for first aid antiseptics. The 88.4% increase for elastic goods and dressings was primarily the result of tracking items that were not included in this category last year.

Two out of seven hair care needs categories had four-week unit sales increases in food stores. But the 3.3% gain for hair setting needs and 1.9% for hair coloring did not offset losses of 11.9% for hairdressing needs, 7.2% in the high-volume shampoo category, or 4.6% for hair sprays.

The oral hygiene product group had an overall loss rate of 1.8%, even though among the seven product categories, four gained and three declined. Two of the categories with declines were those with the highest volume: toothpaste and powder (-1.5%) and mouthwash (-8.6%).

There were gains amounting to 5.0% for dental aids, 4.5% for toothbrushes, 3.5% breath fresheners and 2.6% for denture cleaners.

Continued

There would have been a four-week expansion in sales of proprietary remedies but for the severe loss of 7.6% among internal analgesics, which corresponds to a drop of 1.7 million units in the April period. Gains were exhibited in 10 of the 15 categories monitored by SAMI, led by a 25.8% rise in volume for external analgesics.

Cold remedies improve

Of note was the improvement in trends among cold and cough remedies, where all four categories went from losses in the two preceding periods to gains in the most recent four weeks.

Eye care products showed a negative trend for the second time in 1990. The highest loss rates were 19.3% for appetite suppressants, which are being cannibalized by the growth of Slim Fast and Ultra Slim Fast in the SAMI measured diet meals category, and a fairly mean-

ingless loss of 16.2% for the minimal volume category of over-the-counter tranquilizers.

In the shaving needs product group, there has been a change in the category structure. Razor blades and razors have been combined into a single category, razor sets. Razor sets are now treated as a product class of this revised category.

In spite of the emergence of Gillette's Sensor as a major competitor, the new category has suffered unit losses during the past three four-week periods (although dollar volume improved 5.9% during the April period). Four-week shaving cream unit volume fell 5.4%, as contrasted with a 2.2% gain for the 12-week span.

Only one category in the skin care aids product group showed a four-week gain; but since it was the highly seasonal suntan lotion/suntan oil category, the timing was important. ■

PHOTO MINILABS

Continued from page 47

dominant along with 35mm point-and-shoot cameras, the franchises can serve the bulk of one-hour customers in a smaller space. Those operating the specialized 35mm processing equipment, moreover, require less training—a four to six hour course.

Photo-go equipment, while less versatile, is less expensive than other machines capable of handling different film formats. It starts at about \$26,000 and costs in the \$35,000-\$36,000 range for a fully merchandised installation, according to Print Technology CEO Howard Ruby.

An extra customer service

Like most retailers, Westward Ho's Preston sees more value in the center as an extra customer service, not necessarily as a traffic-builder or a way to get shoppers to linger longer in the store. "In business today, you've got to have as many services and conveniences as you possibly can," Preston says. "This is just one more perk that we can give them."

"Most customers leave the store and come back, even if they use the quick photo service," Preston adds. Others, including Price Chopper's Guarneri, agree. "Of those who use the one-hour lab, the percentage that stay around and pick it up in the same trip is

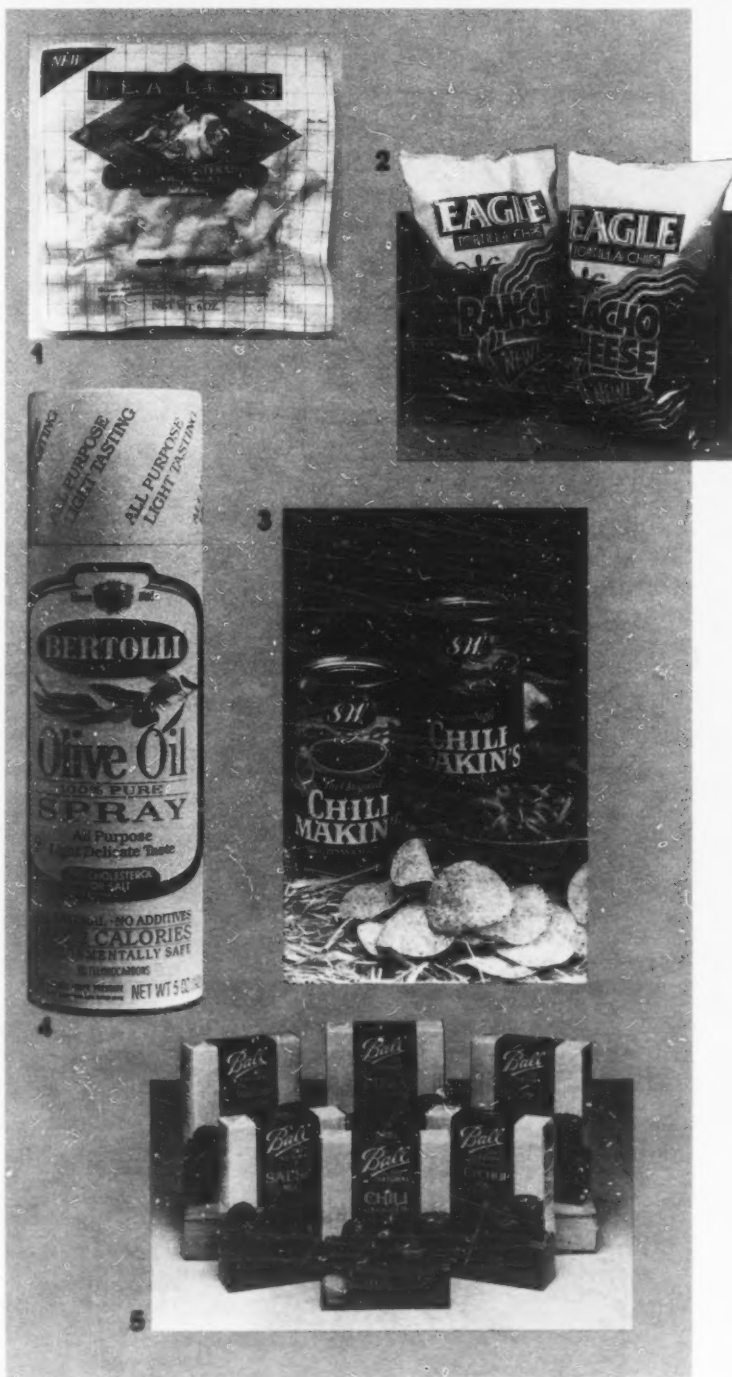
very small, less than 25 percent," Guarneri says.

While one-hour labs might seem to cut into a supermarket's film drop business, most retailers have seen a net film-drop gain along with the business generated by same-day photo processing. Most also strongly advise keeping the drop-box option available.

"It makes sense to do both," says Brasher of Furr's. Along with those willing to pay a premium for quick, high quality processing, "a lot of our customers still save up to 30 rolls of film, waiting until we run a 99 cent [wholesale lab] special."

The jury's still out on how long it will take, but the lower threshold of minilab cost-effectiveness for supermarkets could help swing a greater percentage of the total \$8.5 billion market for photo supplies and processing to supermarkets. Current overall share at grocery stores was less than 14 percent, according to SUPERMARKET BUSINESS's 1989 Consumer Expenditures Study.

As more supermarkets offer the sub-hour photo processing option, the most compelling reason for installing a full-service photo center will no longer be limited to an effort to win share from non-food store competitors. It will be to avoid losing customers to those supermarkets who have already included minilabs with the other services luring customers to their stores. ■



1 No crackers required: Sea Legs surimi-based shellfish expands with three products packed in single-serve portions: Lobster Salad Style, shown here, Lobster Tail Style and King Crab Leg Style. The Berelson Co., 100 Pine St., San Francisco, CA 94111; (415) 956-6600

2 South of the border: Eagle Snacks' new tortilla chips come in three varieties: Nacho Cheese, Ranch and Restaurant Style. Odd Couple veterans Tony Randall and Jack Klugman will promote the new line. Eagle Snacks, One Busch Place, St. Louis, MO 63118-1852; (314) 577-4089

3 Just add meat: S&W's Chili Makin's Texas Style chili, like its original Chili Makin's, gives aspiring chili chefs a shortcut with sauce, beans and seasonings already prepared; just

add fresh beef. S&W Fine Foods, 3160 Crow Canyon Rd., San Ramon, CA 94583; (415) 866-4500

4 Monounsaturated mist: Bertolli's Olive Oil Spray, like its other olive oil products, is high in monounsaturated fats, which lower cholesterol, blood pressure and blood sugar levels. While it has no fluorocarbons, it can be sprayed on a pan, adding as little as two calories per serving. Bertolli USA, 300 Harmon Meadow Blvd., Secaucus, NJ 07094; (201) 863-2088

5 Serve or preserve: Ball's new line of six tomato mixes can be prepared for immediate use or used for home canning. Sauce flavors include salsa, chili, spaghetti, pizza, ketchup and barbecue sauce. Ball Corp., 345 S. High St., Muncie, IN 47305; (317) 747-6240

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TAKING THE MEASURE OF FRESH MEAT

FIRST ANNUAL FRESH MEAT OPERATIONS REVIEW

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SUPERMARKET BUSINESS zeros in on the fresh meat department to measure the state of the art, and to take a close look at department operating economics. With all the difficulties of fresh meat, it is still the largest weekly sales and profit producer.

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As the chain expands out of South Florida, Xtra Super Food Centers is adapting operations to match the character of the communities it serves.

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The company's new Providence store—its first outside Massachusetts—has a slightly different look, but the same commitment to all-natural food for health-conscious consumers.

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AT FELPAUSCH'S KITCHEN EXPRESS, FOOD SAFETY IS JOB ONE

1A

FRANK HAMMEL

A refrigerated prep area is just one of many steps Felpausch takes to keep prepared foods extra safe.

PREPARING FOOD ELAINE READER

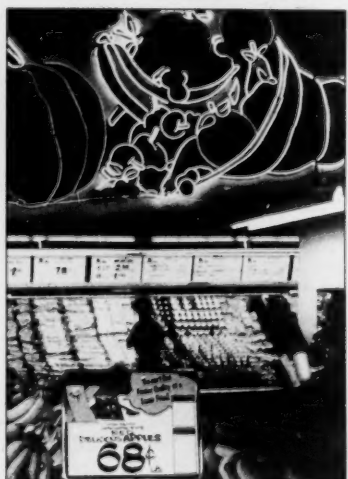
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SAY IT AIN'T SO, BILL BISHOP



By Ken Parich,
Editor-in-Chief

I was sipping an iced tea and swinging on the back veranda hammock last Saturday, when the thought suddenly struck me like a gentle hand on the shoulder. "Say," I exclaimed to the other members of the family, "what do you say we all go down to the Grand Union and look around? You know, let's do some impulse buying."

I had read someplace recently that most buying at the supermarket is done on impulse, which kind of upset me, since we tend to leave each other little notes under magnets on the refrigerator, such as: skim milk, or canned cat food, or mayonnaise. Which means that we're out, and whoever happens to be going to the supermarket or near it, please buy some. I always felt just slightly guilty about writing out grocery lists when I am always reading how most shoppers don't do this but just hang out at the market, so to speak, until something moves them.

I guess that's why I thought I'd get the family to try it, and see if it worked. Who knows, it might open up a whole new world of eating and using things we'd never dreamed of before. It might even be fun.

But the reaction I got was somewhat less than resounding applause. Jessica, the dexterous one, and number two daughter, reached for the croquet mallet she keeps around to swat flies with, and let go a tremendous crash to the picnic table. Marjorie, the reader, and number one daughter, yawned while lying supine on the wicker chaise, which is about the only way you can use the wicker chaise, while reading the OED along with the *Times* puzzle, and proclaimed: "Not so, Dad, you should try reading your mail. I just read the stuff on your desk that you brought home on Friday night."

This was not unusual for Marjorie. She tends to read the way other people might listen to background music. It keeps one part of her mind occupied. At four she read the backs of cereal boxes—

out loud. All about how Bruce Jenner had just swum the Hellespont or something, and then climbed the Eiffel Tower.

"Willard Bishop Consulting, Ltd., says people don't do as much impulse buying as you think," she continued, without looking away from the OED. "And he's got a new study out to prove it. In fact, and I quote: 'Consumers make

'Consumers make more than 60 percent of all their purchase decisions before entering the supermarket.'

**—George Miller,
Willard Bishop
Consulting, Ltd.**

more than 60 percent of all their purchase decisions before entering the supermarket. However," she added, "'decisions vary by category.'"

I was flabbergasted. "You mean...?"

"Yes, Dad," she replied, "the Point of Purchase Advertising Institute (POPPI) was wrong when it stated: 'Nearly 66 percent of all purchase decisions are made in the store.'"

"Good Lord!" I exclaimed again. "What's ActMedia going to do with all those instant coupon machines that deliver the coupons at the point of decision? Answer me that. Or let Bill Bishop answer me that. Point of decision, my clavicle! You're trying to tell me that the point of decision is not in the store, but right here on this veranda? I can't believe it. What about all those studies I've been reading about impulse buying all these years? What about the DuPont Study. Hah! That was scientifically proved by machines that watched your eyeballs move. What about that?"

Blam! The croquet mallet crashed onto the picnic table again, as Jessica nailed another fly. I leaped out of the

hammock and cried, "Let's go! All of you. You too, Dorothy," I said to my wife.

"Where?" they all said as if one voice.

"To Grand Union," I replied. "We're going to settle this thing once and for all. We're going shopping, but we're not going to take any shopping lists. Just buy whatever sort of grabs you, Dorothy, you take dry grocery, and I'll take non-foods. Jessie, you take frozen foods, but remember your diet. Go easy on the ice cream. Marjorie, you're the vegetarian, so you get dairy. In one-half hour we'll meet at the checkouts and see what we've bought."

(One-half hour later)

"Jessie, it looks like you bought all the same stuff we always buy. What happened? Why didn't you let your impulses go?" I cried.

"I tried to," said Jessica, "but I didn't tell you that I had all these coupons for all the stuff we always buy, anyway. You know I clip all the coupons."

That's right," I said. "You do. What about you, Marjorie? It looks like you bought all the same dairy stuff we always buy, too."

"I couldn't help it. Jessica gave me all the coupons for dairy."

"Okay, Dorothy let's see what you've got. It looks like you bought all the same cat and dog food as always and all the same cereals. How come? Wait a minute, what's this? Smoked kippers? Since when do you buy smoked kippers?"

"Why, I don't know what came over me. I was standing near the canned fish section looking for your sardines when I swear I heard this voice. It said, 'Try me! Try me! I'm good! I'm good!' So I did. I had to."

"Let's get on line and watch the cable news. What the heck, we've already bought everything, anyway."

I didn't know whether the experiment was a success or a failure. Bill Bishop seemed to be right. But on the other hand ...

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TAKING THE MEASURE OF FRESH MEAT

FIRST ANNUAL FRESH MEAT OPERATIONS REVIEW

SUPERMARKET BUSINESS, in an exclusive report, provides data on total department performance, and operating economics for advertised-price items as well as "shelf-priced" sales and profits.

Fresh meat department sales, including processed meats, but not including fresh fish and service deli, totaled \$39.5 billion in 1989, with an increase in dollar sales of 1.6 percent.

BY KEN PARTCH,
DAVID LITWAK AND
JANET TORRES CEPEDA

Although the U.S. is certainly no longer a simple meat-and-potatoes society today, fresh meat is still the second largest department in the supermarket as a percentage of total store sales. And while the department is beset with many inherent problems and outside pressures, it offers one of the last great opportunities to the supermarket to move out of the commodities business and into the business of modern marketing of this high-volume and potentially high-profit product category.

While fresh meat has always been one of the most reliable and most economical of foods in U.S. distribution, there is still much that can be done in terms of standardized quality, packaging, variety and value-added advantages for the consumer. It is the purpose of this study to identify the state of the art of supermarket fresh meat today, so that the changes that are occurring, and need to occur in future, will have a standard benchmark against which to make meaningful comparisons.

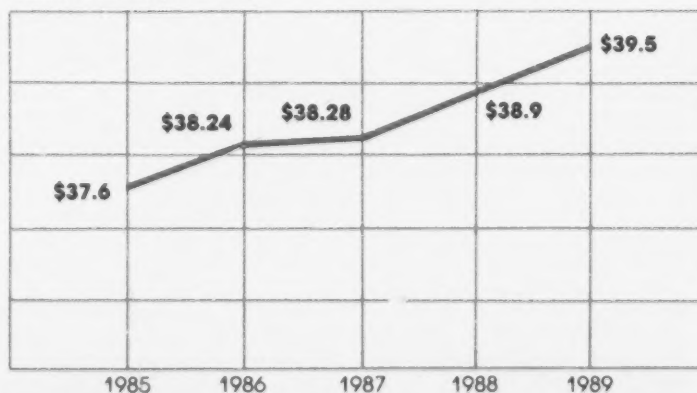
Average weekly sales of fresh and processed meat, not including fresh fish and service deli,

reached a total of \$39,537,083,000 in 1989, with average weekly sales of \$24,767.00 in the nation's 30,700 supermarkets. This data is the result of an exclusive survey conducted by SUPERMARKET BUSINESS for the first time this year. It will become an ongoing study in order to monitor the changes taking place in one of the most important departments in the supermarket.

This represents an increase in fresh and processed meats of 1.6 percent over 1988, which is less

than the rate of inflation, and which means that consumption of fresh meat sales are still declining overall. Specifically, according to the Department of Agriculture and the American Meat Institute, consumption of beef and veal declined slightly during the year (-5.5%), while prices rose (4.0%); consumption of lamb increased (7.4%), while price changes for lamb are unreported; consumption of pork increased slightly (0.2%), while prices were also up slightly (0.6%); poultry continued to show substantial

Sales of Meat (In Billions)



In dollar volume, supermarket meat sales have increased steadily the past five years, to \$39.5 billion in 1989. This total does not include fresh fish or service deli.

SALES & PROFITS

In the nation's 30,700 supermarkets, meat sales come out to an average of \$24,767 per store per week. Conventional stores sell an average of \$18,202 a week, while larger stores sell an average of almost \$35,000 a week.

Most supermarket companies (79%) report a slight increase in meat sales over last year. Only 9% saw their sales of meat decline in 1989.

Sales:

Number of Meat Departments: **30,700**
100% of All Supermarkets

Total Sales of Fresh & Cured Meat:* **\$39,537,083,000**

*Does not include Fish, or Products sold at the Service Deli.

Average Weekly Sales Per Store

Mean: **\$24,767** Median: **\$25,600**

By Type of Store:

Conventional **\$18,202**
Larger Store **\$34,928**

Meats Share of Total Store Sales

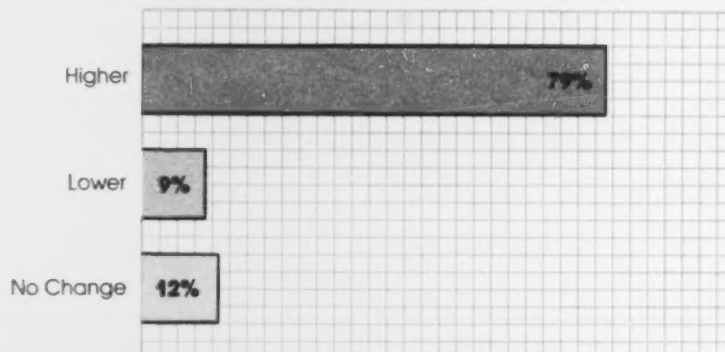
Mean **17.8%** Median: **16.9%**

Meats Contribution to Overall Store Profits

Mean **15.9%** Median: **15.3%**

Changes in Dollar Sales (1989 vs 1988)

(% of Companies Reporting)



Average Gross Margin

	Mean: 21.3%	Median: 22.4%
Less than 18		6%
18-20		25
21-22		29
23-24		23
25-26		10
Over 26		7
Total		100%

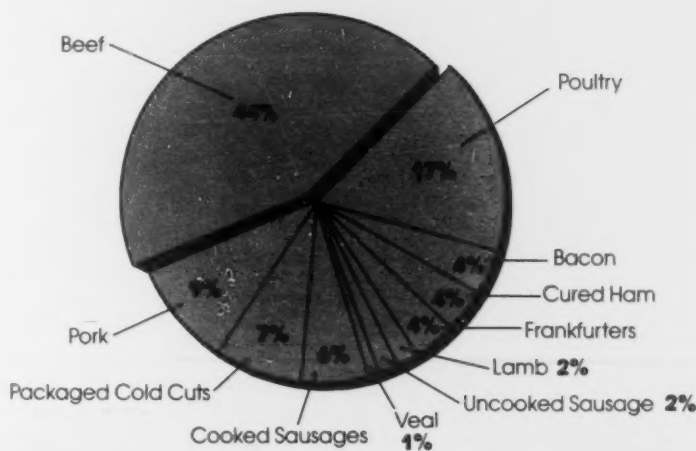
While meat accounts for nearly 19% of store sales, on average, it contributes less than 16% of the store's total profits. This ratio of sales to profits is low compared to many other special departments, and illustrates the commodity nature of current meat marketing.

PRODUCTS

The meat department is still dominated by beef, which accounts for 44% of total meat sales in supermarkets. Falling beef and veal sales were a good part of the reason that overall meat department sales rose only 1.6% last year. (Beef was down 5.5% in per capita consumption, and only up 4.0% in price).

Meat departments are now selling more than just raw meat. Value-added products have crept into the meat case in a big way. Seventy-nine percent of supermarket companies report that their departments now sell some ready-to-cook entree items, and 46% offer packaged ready-to-eat meat dishes, while 27% also sell some side dish items.

Portioning Out Meat Sales



Dollar Sales of Fresh Meat

(Add 000)

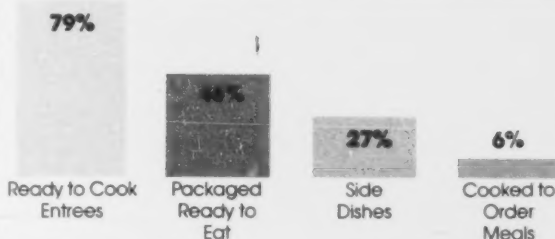
Beef	\$16,780,837
Poultry	7,297,592
Pork	3,300,751
Lamb	940,091
Veal	424,188

Type of Beef Used

Boxed Beef	92%
Case Ready	6
Close Trimmed Boxed Beef	1
All Others	1
Total	100%

Standard Trim: **1/4 inch**
Stores with Smokehouses: **4%**

Sales of Value-Added Meat Products



Sales of Special Items (% of Companies)

	Now Selling	Will Sell More in Future	Will Sell Less in Future
Certified Angus	12%	6%	6%
Natural Beef	9	21	3
Other Branded Cuts	12	18	0
"No Roll"	33	3	12

Total sales of fresh meat continue to increase, but largely because of price increases and inflation.

increases (10.5%), while prices rose (9.9%).

Weekly sales of meat include both conventional and larger supermarkets. Meat sales of larger stores (superstores and combo stores) averaged nearly \$35,000 weekly, while meat sales in conventional supermarkets averaged \$18,202 weekly, for a mean of \$24,767.

Of the companies reporting

in the survey, 79 percent reported higher dollar sales, while 9 percent reported lower dollar sales. Another 12 percent reported no change.

Companies reported a wide range of gross margin percentages—from less than 18 percent to over 26 percent. The average gross margin was 21.3 percent.

Although sales of beef and veal continue to decline as a

percentage of total fresh meat dollar sales, together they still represent nearly three times the sales of poultry, and five times the sales of pork. The beef industry continues its efforts to move toward a market-driven product line, rather than a commodity-driven one, although the pace is often faltering.

Nevertheless, 79 percent of the companies reporting said

that they now offered ready-to-cook fresh meat entrees, while 46 percent offered packaged ready-to-eat meats. Other value-added meats that respondents mentioned were: 27 percent with prepared side dishes, and 6 percent offering cooked-to-order meals. Still, only some 12 percent said that their meat departments had trained chefs in some of their stores, while only 6 percent had chefs in all stores. The great majority, did not have trained chefs.

More interest in case-ready

While branded and case-ready meats still have little impact on fresh meat sales, there is growing interest on both on the part of retailers. According to the National Livestock and Meat Board, there are a number of retail tests underway, with growing consumer interest and acceptance of both case-ready and branded fresh meats.

The SUPERMARKET BUSINESS survey revealed that 12 percent of respondents are now selling Certified Angus beef, 9 percent are selling Natural beef and 12 percent other branded cuts. In the future, only 6 percent expected to sell more Angus, while 21 percent expected to sell more Natural, and 18 percent more branded cuts. No respondents said that they would sell fewer branded cuts. Thirty-three percent still sell "no roll" or ungraded beef, but only 3 percent expect to sell more in future, and 12 percent expected to sell less.

How fresh meat is merchandised to the customer is also expected to undergo considerable change in the future. Today, 69 percent of supermarkets responding said that they offered self-service meats only. Eighteen percent offered a combination of self-service and service, while only 13 percent offered service meats only.

In the future, 38 percent of respondents said they would offer more service meats, while only 21 percent reported that they would offer more self-service.

Store economics in the fresh meat department has long been a controversial area. It is suspected that part of the reason for the controversy has been in the methodology employed in calculating such variables as the cost of labor, the cost of advertising and the cost of shrink.

While the industry is now at work with several projects to establish standards that would

SPACE & LABOR

Meat departments continue to get larger. The average set-up occupies 2,376 sq. ft., including merchandising, prep and cooler space. Since the departments are large and use a lot of space off the selling floor, the average sales per sq. ft. are just \$10.42 per week. There is a \$4.33 per week difference in the sales per sq. ft. between conventional stores (\$9.16) and larger stores (\$13.49).

Despite the large size and high sales of the meat department, it takes an average of 6.1 full-time equivalent employees to run the section. This means that the average weekly sales per employee are over \$4,000.

Much of the department's ability to keep labor costs down is due to the predominant use of boxed beef, which is used by 94% of all stores. The use of this type of beef has held labor costs down to 10.6% of sales.

Size of Department

Mean:	2,376 sq. ft.
Median:	2,250 sq. ft.

Average Weekly Sales Per Square Foot of Space

Mean: \$10.42	Median: \$10.25
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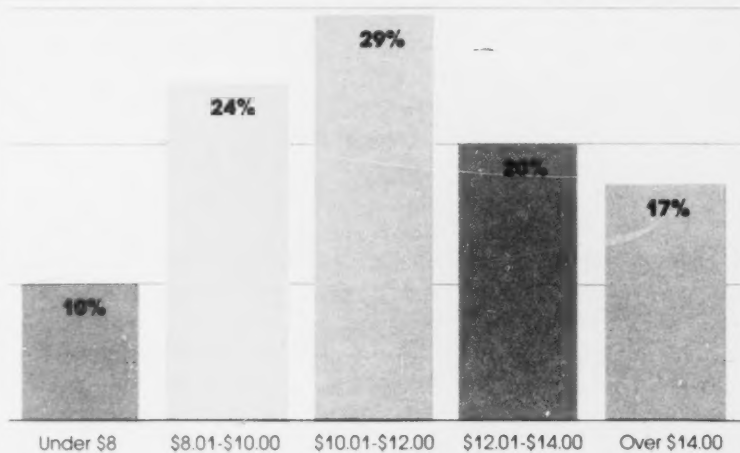
By Type of Store

Conventional:	1,987 sq. ft.
Larger Stores:	2,589 sq. ft.

By Type of Store

Conventional Stores:	\$9.16
Larger Stores:	\$13.49

Average Weekly Sales Per Square Foot (% of Companies)



Number of Employees

Full-time	4.8
Part-Time	2.6
Full-Time Equivalent	6.1

Meat Depts. With Trained Chefs

None	82%
In All Stores	6
In Some Stores	12
Total	100%

Cost of Labor as a Percent of Meat Sales

Mean 10.6%	Median 11.3%
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Cost of Labor

Under 8	6%
8-9.9	26
10-11.9	31
12-14.9	27
15 & Over	10
Total	100%

Average Weekly Sales Per Employee

Mean: \$4,060	Median: \$4,150
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Greater interest is shown in both ready-to-cook fresh meat entrees and ready-to-eat meats. Other value-added meats mentioned include prepared side dishes and cooked-to-order meals.

MERCHANDISING & PROMOTION

Sales of meat are still primarily self-service. Sixty-nine percent of stores sell meat through only self-service, with an additional 18% combining self-service and service. Just 13% of supermarkets have service-only meat sections. This trend may be shifting slightly in the future. Thirty-eight percent of the companies predict that their meat sales through service will increase, while 21% believe that they will be selling more meat through self-service in the years ahead.

Newspapers and radio are the two most popular means of promoting the meat department, although store circulars and point-of-purchase materials are also utilized by most supermarkets. As a means of promoting their meat departments, retailers are increasingly turning to in-store promotions. The majority (82%) of companies have recipe cards in their stores, while 76% engage in sampling of their meat products, and 67% offer nutritional fact sheets concerning the various cuts to their meat customers. Cooking demonstrations and video programs also are catching on.

How Meat Is Sold (% of Stores)

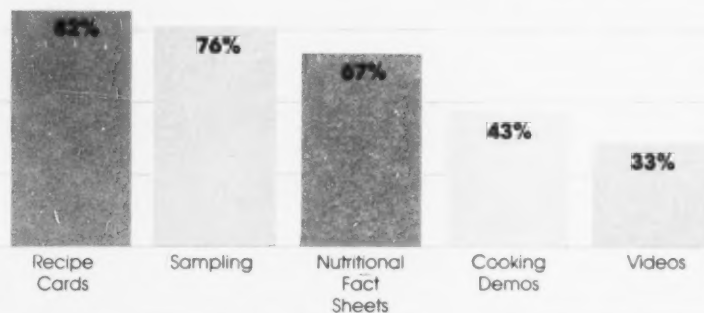
Self-Service Only	69%
Combination	18%
Service Dept. Only	13%

In Which Direction Will Your Stores Go in Future?

Towards More Service Meat	38%
Towards More Self-Service Meat	21%
No Change	41%
Total	100%

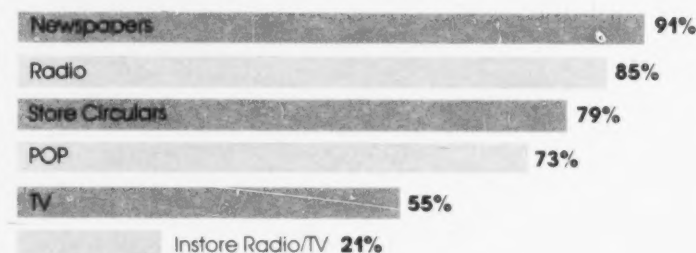
Use of Instore Promotions For Meat

(% of Companies)



How Meat Dept. Is Promoted

(% of Companies Using)



Fresh meat department performance, when viewed for both advertised and unadvertised item sales and profits, shows real problems.

Total Fresh Meat Department Performance

	Dollars	Percent of Total Store
Total Fresh Meat Dept. Sales *	\$27,712	16.87%
Gross Profit	5,617	20.27
Cost of Product	22,331	80.58
Supplies (Cost)	236	0.85
Total Dept. Labor	2,225	8.03
Contribution to Dept. Profit	3,156	11.39

Performance of Advertised Fresh Meat

Total Sales of Ad Related Items	\$10,647	38.42%
Gross Profit	599	5.63
Supplies	105	0.99
Net Gross Profit	494	4.64
Labor Related to Ad Items	1,158	10.87
Contribution to Dept. Profit	(664)	(6.23)

Performance of Unadvertised Fresh Meat

Total Sales Unadvertised Items	\$17,065	61.58%
Gross Profit	5,018	29.11
Supplies	131	0.78
Net Gross Profit	4,887	28.63
Labor	1,067	6.25
Contribution to Dept. Profit	3,820	22.34

*Does not include processed or cured meats, fresh fish or service deli.
Source: Jack Cohen, industry consultant

Advertised fresh meat loses money, says Cohen, as always, but the gap is widening between ad price sales and "shelf" price sales. Profits cannot be restored by raising shelf prices still higher, since this only tends to increase shrink. The economics of the dept. needs to be rethought.

be acceptable to both packers and retailers, progress has been slow. The jointly developed Food Marketing Institute and Beef Industry Council DPP model has been available since 1988.

Efforts by the Council, with experiments being conducted at Texas A & M University to establish standards of fat trim and expected yield and cost, are expected to determine the best and most economical way to achieve close fat trim and yield at packer and store levels. At present there is some question about where and how much trim should be done to best suit consumer demands and industry-wide economics.

Economics need review

According to an independent analysis conducted for SUPERMARKET BUSINESS by Jack Cohen, an industry consultant, the difference between the percentage of fresh meat items offered at advertised sale prices and those offered at "shelf" or case prices is widening. Part of the reason for this is continued and greater rates of inflation. But part of the reason is also, he points out, that advertised sale items are producing greater and greater losses, which are being attempted to be made up by higher case prices for unadvertised items.

This doesn't really work, according to Cohen, because it becomes self-defeating. It worked well, years ago, when fresh meat was truly a perishable item, and the difference between ad and shelf prices were 10 percent and the difference in sales was perhaps 25 percent. Today, says Cohen, the difference between ad sales prices and shelf prices is more like 35 percent, and the difference between shelf sales and ad sales is more like 50 percent.

The problem, says Cohen, is that fresh red meat and poultry is no longer really a perishable product. With the advent of large freezers in every refrigerator, the consumer can take advantage of ad sales to load up and ignore the shelf items carrying "regular" prices. This in turn produces more real losses in ad sales, and greater and greater shrink costs for the total department. Shrink costs add still further to the changing economics of the department, and even greater losses in profits and contribution to overall store profits. Fresh meat department economics, says Cohen, need to be completely rethought. ■

SUPERMARKET BUSINESS

NONFOODS BUSINESS

INSIGHTS FOR MANAGEMENT AND THE GM/HBA SPECIALIST



Photo: Matt Cohen

OPERATIONS REVIEW: GENERAL MERCHANDISE

BY DAVID LITWAK AND
JANET TORRES CEPEDA

Supermarket operators still don't seem to know what to make of general merchandise.

A few years ago, almost everyone was gung ho on almost any type of GM product. Now, some retailers are not quite so sure what direction they'll go in. While bigger always used to be better, GM section-wise, many operators are starting to rethink what kinds of GM products they'll carry, and how much variety to offer in each category.

General merchandise has always been a peculiar area of store operations. For some operators, the inclusion of all sorts of GM products in their stores is still the way to cash in on a growing market. But others have begun to scale down their departments, and tailor them more to what their experience has shown will sell.

In some cases, this means abandoning high-ticket items, such as electronics, or carrying fewer automotive supplies. The supermarket industry is heading in two different directions: less but more targeted GM for

With sales at the \$11 billion mark, GM continues to grow in importance in the supermarket. But in some stores, GM growth is limited.

some stores, and larger full-scale departments in others.

Against this backdrop, SUPERMARKET BUSINESS presents this first in-depth survey of the GM operations of the nation's supermarkets.

General merchandise enjoyed a good year during 1989, with sales through supermarkets reaching the \$11 billion plateau. This mark represented a sizable increase over 1988's \$9.92 billion in sales. The rate of growth during 1989 was 11.1 percent, compared with a 2.5 percent growth level the year before.

Double-digit growth is certainly not new to the GM section. During 1987, GM sales

grew a whopping 13.5 percent; and prior to 1986, double-digit GM sales increases were fairly common. The leaner growth years of 1986 and 1988 appear to have been adjustment periods, when the industry and consumers stepped back to look at where they would be going next.

The growth in GM sales during the last year seems to have been shared by most members of the supermarket industry. Over three-quarters (77 percent) of supermarket companies reported higher GM sales in their stores in 1989 than in 1988. Another 19 percent said sales remained at the same level for both years, while only 4 percent reported a drop in sales. The average increase in stores operating during both years was 7.2 percent.

The addition of new, larger stores helped to lift the overall sales increase of GM products to 11.1 percent. The large combination stores and hypermarkets have been the catalysts in the renewed interest in large GM departments. But whether these stores sell enough GM to justify

SALES & PROFITS

Sales of general merchandise through supermarkets continued to increase in 1989. For the first time, GM sales reached the \$11 billion mark, a jump of over 11% from the 1988 mark of \$9.9 billion.

Higher sales were reported by 77% of the supermarket companies operating, with an average increase per store of 7.2%. Sales in the GM sections of larger stores were almost three times higher than those in conventional supermarkets.

Because of the difference in GM sales between larger and conventional stores, there is also a difference in the percentage of total store sales that come from GM sales. In larger stores, GM accounts for 10.29% of total sales; while across the whole industry, the average percentage of store sales attributable to GM falls to 4.4%.

GM items carry relatively high gross margins (31.7%). These help the section contribute significantly—an average of 13.55%—to a store's total profit. The figure can reach 31.9% in larger stores.

General Merchandise Sections:

Number of Stores that Sell General Merchandise	30,700
Percent of Supermarkets	100%

Average Weekly Sales

Mean: \$6,891 Median: \$7,050

Conventional Stores	\$4,392
Larger Stores	12,466

Average Weekly Sales

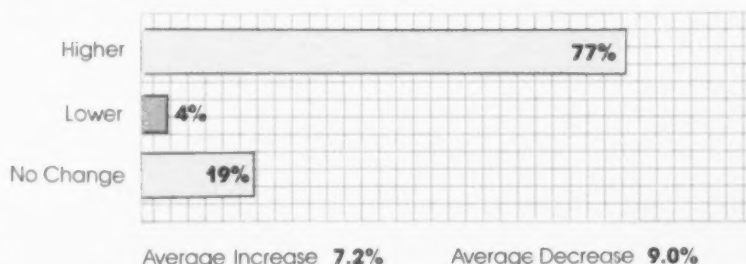
Less than \$5,000	10%
\$5,001-\$6,000	14
\$6,001-\$6,500	26
\$6,501-\$7,000	32
\$7,001 or More	18
Total	100%

Annual Sales (billions)



Changes in Dollar Sales (1988 vs 1989)

(Percent of Companies Reporting)



Share of Total Store Sales

Overall Mean	4.4%
In Combination Stores	10.29%

Contribution to Total Store Profits

Overall Mean	13.55%
In Combination Stores	31.9%

Gross Margin

Mean	31.7%	Median	30.8%
Less than 28%	16%		
28-29	18		
30-31	28		
32-33	21		
34 or More	17		
Total	100%		

their huge sizes is still a matter of much debate.

For every huge combination store or hypermarket, there are many smaller stores that sell a very limited number of GM products. While every supermarket in America carries some GM, for many the "department" contains only a few hundred SKU's, if that much.

When stores selling only light bulbs, film, batteries cils as GM are combined with

the hypermarkets and all the formats in between, the average weekly GM sales come out to \$6,891 per week. The range of average reported weekly sales is tremendous, stretching from a few hundred to a few hundred thousand dollars.

Looking at average weekly sales by type of store helps somewhat. In conventional supermarkets, average weekly sales are \$4,392, with larger stores bringing in an average of

\$12,466 per week. Again, these are industry averages; the actual ranges of weekly sales are still very large within each of these segments.

Share of sales and profits

The wide range of GM sales in different supermarkets is illustrated by the varying percentages of store sales that GM represents. As an overall figure, GM accounts for an average of 4.4 percent of the sales of the

total store. In larger combination stores, however, it averages 10.29 percent of store sales.

Gross margins of GM items also range all over the field, depending on the individual item. Overall, the average gross margin achieved by the GM department is 31.7 percent.

These high margins help make the GM section an extremely profitable one. On average, the GM department contributes about 13.6 percent of the total profits of the whole store.

Once again, the range of profits contributed by individual GM departments is wide. For instance, larger stores with fuller-scale departments contributed an average of 31.9 percent of total store profits.

Part of the reason that GM is so profitable is that it is relatively inexpensive to sell. For the most part, there are no extra energy costs involved with GM sales, as there would be for refrigeration of many perishable food items, or for preparation equipment that is used by many of the service departments.

In a sense, selling GM is a lot like selling a dry grocery product. In fact, some GM products, such as light bulbs and stick goods, are often classified as dry grocery nonfood products. And there's another cost factor that is even more favorable to GM: labor.

Labor is a very marginal cost in GM sales. On average, a supermarket employs only 2.1 full-time equivalent employees to handle its GM sections. This, of course, does not include any employees manning special sections, such as one-hour photo processing or shoe repair.

The number of employees in the section varies with the size of section, and the use of service merchandisers by the store. About 43 percent of the companies report that they do use service merchandisers in some of their units or for some of their GM lines. The use of service merchandisers aside, the average supermarket spends only about 5.4 percent of GM sales on labor for the department.

The small number of employees manning the GM department allows the average weekly sales per employee in the department to remain relatively high. On average, each GM employee is responsible for \$2,223 in weekly sales. Nine percent of the companies report that their weekly sales

per GM employee are over \$3,000, while 14 percent report that their employees average less than \$1,500 a week.

Space: the final frontier

When it comes to GM, space truly is the final frontier. Space, as often as corporate merchandising philosophy, will mediate the extent to which a store ventures into GM.

More often than not, when a store is limited as to the amount of available space, it is GM that will be cut back. Management will forsake whole categories, rather than make proportionally equal reductions throughout the entire store. When all is said and done, GM is still superfluous to the main function of the supermarket.

But for many retailers, those "superfluous" sales are just too good to overlook. So the boundaries of space have been pushed further out as stores have gotten bigger and bigger to accommodate extra GM items, as well as an increased number of service departments.

Space for GM has expanded greatly in some stores, while the section has had little growth, or has even been shrinking, in others. The average space given to display GM products is 295 gondola feet, with additional products cross-merchandised or scattered throughout other parts of the store.

Conventional supermarkets have just 192 gondola feet of display space dedicated to GM. The space available to display GM in larger stores is significantly more. On average, these stores devote 949 gondola feet to GM.

The number of gondola feet reported above does not fully reflect the amount of space that stores devote to GM. Most stores scatter their GM, with small sections here and there. Cross-merchandising GM is the most popular display technique for many categories.

One-third of the companies responding said that they cross-merchandise their GM items throughout the store. An additional 47 percent indicated that they use a combination of approaches. They cross-merchandise some items, while maintaining a separate GM section for other categories of products. Only 20 percent keep most of their GM products together in a separate section.

Almost anything can be a GM product. Any product that can't be eaten, isn't a health or beauty

SPACE AND LABOR

Space is a hard commodity to measure accurately within the GM department. In most cases, GM is not sold in a single area, but instead is spread throughout the store.

Even so, there is usually one concentration of GM items in any store. These may be products that are not easily cross-merchandised. This section averages 295 gondola feet overall, with conventional stores measuring only 192 gondola feet, while larger stores have sections averaging 949 gondola feet.

Labor is not a significant cost factor in selling GM products. With an average of just over two full-time equivalent employees per GM department, the section's labor costs are only 5.4% of sales.

In many cases, the use of service merchandisers helps keep the cost of labor to the store down. Forty-three percent of the companies report that they utilize service merchandisers in at least some of their stores.

aid, or a household supply—and even many of those that are—can be classified as GM. Therefore, virtually any new type of item that comes into the supermarket generally winds up as GM. In a sense, GM is a synonym for "miscellaneous."

A large combination store or a hypermarket selling apparel, toys, hardware, appliances, jewelry and miscellaneous items, can easily have as many SKUs of GM as food, household supplies and HBA items put together.

Tires, blue jeans, building blocks, building supplies, cameras, swimming pools, and canaries all wind up as general merchandise. The list is limited only by what kind of merchandise the operator is willing to take into his store—or into his parking lot, since some items don't always make it into the store, or don't fit into the store.

As a consequence of this abundance of product types, no

Size of Department

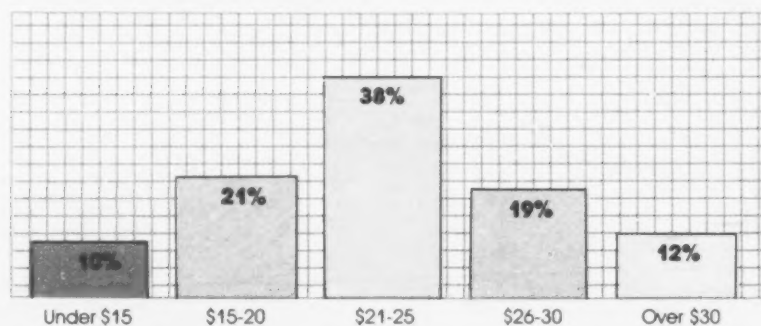
Mean: **295 gondola feet**
Median: **375 gondola feet**

By Store Format

Conventional **192 gondola feet**
Larger Stores **949 gondola feet**

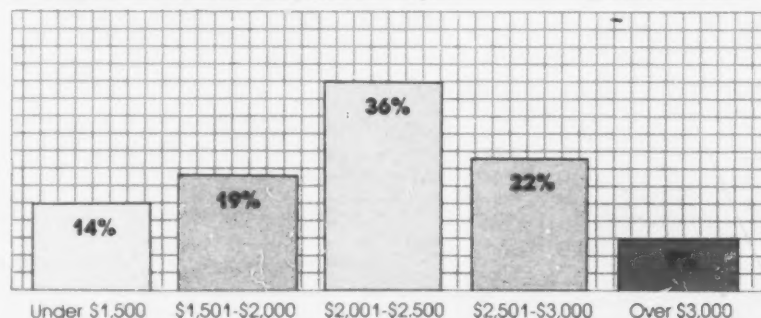
Average Weekly Sales Per Gondola Foot

Mean: **\$23.36**



Average Weekly Sales Per Employee

Mean: **\$2,223**



How Much For Labor

(Labor as a Percent of GM Sales)
(Store Employees Only)
Mean **5.4%**
Median **4.5%**
Percent of companies using service merchandisers in at least some of their units: **43%**

Number of Employees

Full-Time **1.4**
Part-Time **1.4**
Full-Time Equivalent **2.1**

group of items dominates the sales of the GM department the way beef dominates meat sales, or the way OTC remedies dominate HBA sales, or sliced meats dominate the deli. The GM department is really an amalgamation of many groups of lesser selling product.

The closest thing to a dominate force within the GM section is housewares. Housewares, itself something of a catchall category, has the largest share of the GM sales pie, but still only accounts for 17 percent of overall GM sales. Following close behind are sales of periodicals and books, which captured just 14 percent.

Sales of all other categories of GM products each account for less than 10 percent of departmental sales. Housewares are followed by apparel and photo supplies, each of which account for 8 percent of sales. Flashlights/batteries and greeting

cards each account for just 5 percent of sales. All other categories are less than 5 percent each.

Given the all-inclusive nature of the GM department, it is by no means strange that the fifth largest portion of GM sales goes to the miscellaneous "Other" category. This is made up of sales of all those small item categories that by themselves are too insignificant on an industry-wide level to be listed individually.

Retailers report that the number of items that they feature in their GM sections has increased in the last year, and will likely continue to increase in the future. Fifty-six percent of the companies report that they increased the number of GM items they sold during the last year, while only 16 percent say their GM SKUs decreased. The number held steady for 28 percent.

Continued

PRODUCTS

GM is an equal opportunity department as far as products are concerned. There are few products whose sales are large enough to dominate the sales of the department. The GM department is mostly made up of a large number of product categories that each have a small percentage of total GM sales.

Housewares is by far the largest product category in the GM section, but even housewares only account for 17% of GM sales. The second biggest seller is periodicals and books, which bring in just 14% of GM sales. Every other category accounts for 8% of sales or less.

The number of items in the GM section continues to grow. Last year, 56% of the stores added GM items, while only 16% decreased the number of GM items they sold. In the future, 73% say that they will likely be increasing the number of GM items on their shelves.

Videos, both rentals and sales, were the hottest GM items last year, and are predicted to be among the hottest movers in 1990.

Greeting cards, pet accessories, blank video tapes, film and batteries are also on the rise, indicating the continued sales growth of the traditional supermarket GM categories.

Portioning Out GM Sales

Housewares	17%
Periodicals & Books	14
Apparel	8
Photo Supplies	8
Flashlights & Batteries	5
Greeting Cards	5
Pet Accessories	4
Auto Supplies	4
Light Bulbs	3
Notions	3
Electrical Supplies & Hardware	3
Photo Processing	3
Video Cassette Rentals	3
Electric Appliances	3
Barbecue Supplies	3
Toys	3
Stationery/Office Supplies	2
Music Recordings	2
Blank Video Cassettes	1
Other	6

Number of GM Items Carried

In Past Year		In Future	
Increased	56%	Will Increase	73%
Decreased	16%	Will Decrease	6%
Stayed the Same	28%	Stay the Same	21%

GM Items Most Frequently Added Or Given Increased Space

- Video Cassette Rentals & Sales
- Greeting Cards
- Pet Accessories

GM Items Most Frequently Dropped Or Given Less Space

- Auto Supplies/Accessories
- Glassware
- Soft Goods

Hottest GM Categories in 1990

- Video Rental & Sales
- Blank Video Tapes
- Rubberware Products
- Film
- Batteries

MERCHANDISING & PROMOTION

Spreading GM products throughout the entire store is the most popular way to merchandise these products. A third of the companies responding said that they cross-merchandise their GM sections with the rest of the store's products. Forty-seven percent both cross-merchandise and have a separate GM section.

Service counters for GM are not very popular in supermarkets—only 6% of stores have them.

Store circulars and newspapers are the primary ways to advertise GM sections in supermarkets. Interestingly, operators are more inclined to use television to promote their GM sections than many of their other store departments.

How GM Is Merchandised (Companies)

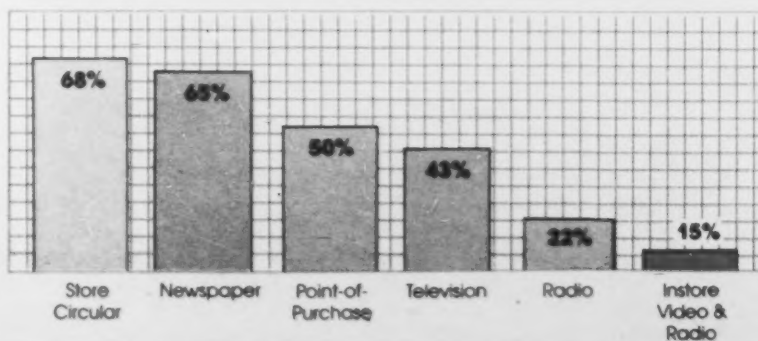
As Separate Section	20%
Cross-Merchandised Throughout the Store	33%
Combination of the Above	47%

Stores With Service Counters For GM 6%

What is Sold at Service Counters:

- Calculators
- Cameras, Film
- Electronics
- Jewelry
- Video
- Watches

Advertising and Promotion (Percent Using)



The future looks bright for GM items hoping to get a spot on the supermarket shelves. Seventy-three percent of the companies predict that they will increase the number of GM items that they are offering.

Among those items that have been most frequently increased in the past year, video, greeting cards and pet accessories lead the pack. Auto supplies, glassware and soft goods weren't as lucky, and were the three most-often-cut-back categories in the GM department.

Not only were videos (which include both sales and rentals of prerecorded tapes) the most often increased category last year, they were also rated the hottest GM category of 1990. Also rated as being "hot" was the allied category of blank video tapes.

Other "hot" categories include rubberware, film and batteries. It is interesting that the categories that increased the most in space last year, and that are "hot" this year, are categories that have always been important to GM sales. There are no "hot" new categories among the hordes of unknown products fighting to get onto the GM shelves.

Growth in the department will likely come from expansion of existing categories rather than from inclusions of new categories of products. In other words, for GM sales in supermarkets to grow, retailers are banking on their ability to pull further sales in their major GM categories away from other types of outlets.

Aggressive promotions

In order to achieve this type of growth, operators will have to promote their GM sections more aggressively. Currently, most retailers are using fairly standard means to advertise their GM products.

Store circulars are still the most popular form of GM promotion, with 68 percent of the companies using them. Newspapers are a close second, as 65 percent advertise their GM products in them.

Since GM has always been considered to be largely an impulse item in supermarkets, it is not surprising that 50 percent of the stores use point-of-purchase materials to promote GM sales. It may be more surprising that the other 50 percent don't.

Of the broadcast media, tele-
Continued on page 63



HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

% CHANGE VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	4 WEEKS ENDING 3/23/90	4 WEEKS ENDING 4/20/90	4 WEEKS ENDING 5/18/90
BABY NEEDS	- 2.8%	- 8.7%	- 5.3%
Baby Powders	+ 0.2	- 21.8	- 6.8
Baby Oils, Creams & Lotions	- 8.3	- 10.5	- 10.0
Infant Clothes	- 6.2	- 2.2	- 5.5
Nursing Supplies	+ 2.8	- 1.6	+ 0.6
MISC. PERSONAL NEEDS	+ 9.3%	+ 6.1%	+ 16.9%
Contraceptives	+ 14.4	+ 6.3	+ 14.7
Personal Lubricants	+ 16.7	+ 13.1	+ 22.0
Home Testing Kits	+ 15.9	+ 9.2	+ 21.5
Thermometers	- 16.1	- 4.4	+ 8.2
DEODORANTS	- 1.1%	- 0.9%	+ 5.0%
Sprays	- 10.2	- 13.6	- 11.1
Roll-Ons	- 9.0	- 3.4	+ 3.8
Stick Deodorants & Pads	+ 4.1	+ 8.9	+ 12.6
Creams	- 3.8	- 7.4	- 4.6
Deodorants & Talcum Powders	- 3.1	- 10.9	- 16.6
Feminine Hygiene Deodorants	+ 3.2	- 5.1	+ 10.9
Foot Deodorants & Athlete's Foot Remedies	+ 7.5	- 0.6	+ 5.5
Feminine Douches	+ 5.8	- 6.4	+ 12.8
FIRST AID	+ 3.6%	- 0.6%	- 4.4%
Antiseptics	+ 6.2	+ 6.1	- 0.6
First Aid Products	+ 2.5	- 3.4	- 6.4
Elastic Goods & Dressings	+ 91.6	+ 88.4	+ 83.0
HAIR CARE NEEDS	+ 1.9%	- 4.8%	+ 0.6%
Shampoos	+ 0.5	- 7.2	- 1.1
Hair Sprays	+ 2.0	- 4.6	- 1.0
Hair Conditioning Rinses	+ 4.5	- 2.5	+ 5.4
Hair Setting Needs	+ 7.0	+ 3.3	+ 10.7
Home Permanent Kits	- 10.5	- 9.9	- 3.8
Hair Coloring	+ 3.0	+ 1.9	+ 0.5
Hair Dressing Needs	- 3.9	- 11.7	- 10.5
ORAL HYGIENE	- 1.2%	- 1.8%	+ 1.4%
Toothpastes & Powders	- 2.8	- 1.5	+ 1.3
Mouthwashes	- 7.9	- 8.6	- 5.5
Breath Fresheners	+ 6.0	+ 3.5	+ 5.1
Denture Cleaners	+ 3.5	+ 2.6	- 0.3
Denture Adhesives	+ 1.0	- 1.1	+ 1.5
Toothbrushes	+ 11.8	+ 4.5	+ 11.5
Dental Aids	+ 11.4	+ 5.0	+ 9.8
PROPRIETARY REMEDIES	- 3.9%	- 0.7%	+ 0.4%
Antacids	+ 2.2	+ 0.6	+ 1.9
Internal Analgesics	- 6.1	- 7.6	- 2.4
External Analgesics	+ 19.1	+ 25.8	+ 18.8
Cold Remedies	- 6.6	+ 3.5	+ 2.5
Nasal Sprays/Drops/Inhalers	- 2.4	+ 1.0	+ 0.4
Chest Rubs	- 17.8	+ 1.4	- 0.6
Cough Remedies	- 12.7	+ 5.8	- 0.5
Laxatives	- 2.2	- 0.8	+ 0.6
Sleeping Aids	+ 3.4	+ 5.9	+ 2.8
Tranquilizers	- 19.4	- 16.2	- 14.4
Eye Care Products	+ 2.4	- 3.8	+ 1.4
Appetite Suppressants	- 14.9	- 19.3	- 25.6
Synthetic Vitamins	+ 5.1	+ 1.2	+ 9.4
Natural Vitamins	+ 7.3	+ 3.8	+ 4.4
Misc. Proprietary Remedies	+ 1.3	+ 5.0	- 0.4
SHAVING NEEDS	- 1.1%	- 4.8%	- 2.7%
Shaving Creams	+ 7.1	- 5.4	- 2.2
Pre-Shave Lotions	- 1.9	- 9.0	- 9.9
After-Shave Lotions	- 3.4	+ 0.2	+ 5.6
Razor Blades	- 0.3	- 4.4	+ 8.1
SKIN CARE AIDS	- 1.9%	- 6.3%	- 1.1%
Hand & Body Creams & Lotions	- 17.9	- 11.1	- 3.7
Facial Preparations	- 9.5	- 11.1	- 9.2
Lip Care Products	- 8.2	- 2.1	- 7.5
Suntan Lotions & Oils	+ 13.8	+ 1.4	+ 6.9
Cosmetic & Medicated Skin Aids	- 0.9	- 2.8	+ 2.5
TOTAL ALL CATEGORIES	- 0.8%	- 2.6%	- 0.8%

HBA MOVEMENT UP FOLLOWING THREE MONTHLY DECLINES

Food stores register unit gains in six of nine product groups in the April-May reporting period.

BY ALAN B. MILLER JR.

During the four weeks ending May 18, 1990, the trend in food store unit sales was healthier for health and beauty aids than for any other product department. For the first time since the 28-day interval ending January 26, 1990, sales among 57 HBA categories combined were ahead of their level in the corresponding year-ago period. The overall increase was 0.8%.

The only other SAMI-defined product department that had a gain was dry grocery non-food products (0.1%).

There was a four-week poundage gain of 1.0% for shelf-stable foods, compared with a 1.9% decline on a unit measurement basis. A poundage loss of 0.5% was recorded by frozen foods, and a loss rate of 2.1% for refrigerated foods.

In dollars, the 4.7% increase for HBA was second to the 8.1% for refrigerated foods, where a change in the product mix to more expensive items has resulted in better performance trend in dollars than in either pounds or units. The four-week dollar gain for HBA translates to increased sales of \$30.5 million, and the 4.7% dollar gain compares favorably with the 3.7% increase for 52 weeks, or 3.0% for the 12-week period ending May 18, 1990.

Drugstores decline

The four-week HBA unit gain was not duplicated in drugstores. Nationally, drugstores had a loss rate of 2.8%, a worse performance than the 2.4% loss for 12 weeks.

Among the nine HBA product groups tracked by Arbitron/SAMI for the four-week period, there were six with increased movement in food stores, ranging from a gain of 15.9% for miscellaneous personal needs to an increase of just 0.4% for the high-volume proprietary remedies product group. The three product groups with loss rates

were baby needs (-5.3%), first aid (-4.4%) and skin care aids (-2.8%).

Thirty-two categories enjoyed four-week unit volume gains, while 25 suffered losses. The highest gain rates were +22.0% for personal lubricants and +21.5% for home testing kits. These increases, however, may be the result of more food stores handling the items, rather than a dramatic increase in demand.

The highest four-week category loss rate was -25.6% for appetite suppressants, which have given up sales to measured diet meals (Slim Fast and Ultra Slim Fast, in particular) among shelf-stable foods. Other double-digit losses were -16.6% for deodorant and talcum powders, -14.4% for proprietary tranquilizers, -11.1% for spray deodorants, -10.5% for hair dressing needs and -10.0% for baby oils, creams and lotions.

Only one category of HBA baby needs made it to the plus column: nursing supplies (0.6%), which was helped by the national rollout of Cherubs. Nuk and Evenflo are also managing gains. There were unit volume declines for baby powders, baby oils, creams and lotions and infant clothes in all three time frames (the four-, 12- and 52-week periods).

All four categories in the strongest product group, miscellaneous personal needs, improved during the four weeks ending May 18, topped by the aforementioned personal lubricants and home testing kits, and followed by gains of 14.7% for contraceptives and 8.2% for clinical thermometers.

Among the eight categories of personal deodorants and antiperspirants, gainers led losers in a 5-to-3 ratio, with significant trend improvements registered by feminine douches/washes/powder (+12.8%), stick deodorants and pads (+12.6%), and feminine hygiene deodorants (+10.9%).

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GM OPERATIONS REVIEW

Continued from page 50

vision gets the lion's share of GM advertising. Forty-three percent of the companies report using some television time to promote GM. Only 22 percent utilize radio as a means of promoting GM sales.

GM continues to increase in overall sales and importance to the supermarket industry. Many retailers are still clinging to the concept of one-stop shopping as a way of increasing consumer traffic, and the time the shopper spends in the store.

Whether or not the shoppers really want to spend this extra time in the supermarket is as debatable as whether or not consumers will seriously buy clothing, electronics, appliances, or do-it-yourself items at the same time as doing the weekly grocery shopping. In any case, carrying GM continues to be a way for the operator to pull customers away from both supermarket and non-supermarket competitors.

Just as foodservice specialty departments provided the supermarket with a means of fighting for the prepared food dollar, GM provides him with a means to fight for a share of that part of the consumer's disposable income that does not go into food. It will be interesting to continue to watch just how the industry handles the inroad that GM has given it. Will supermarkets ignore it, or will they take further advantage of the opportunity? ■

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VOLUME 45 NUMBER 9
SEPTEMBER 1990

Perishables
\$150.8 billion

Dry Grocery (Food)
\$94.1 billion

Dry Grocery (Nonfood)
\$44.7 billion

Health &
Beauty Aids
\$13.1 billion

General Merchandise
\$12.3 billion



43RD ANNUAL

CONSUMER EXPENDITURES

ST... OP \$329 BILLION

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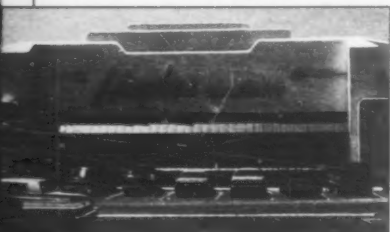
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SPENDING TRENDS AT GROCERY STORES

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Sales reached a record \$329.7 billion in 1989, up 6.1 percent from the year before. But since the consumer price index increase even faster—6.5 percent—overall tonnage was slightly down. Changing consumer habits and increased competition are said to be two of the reasons.

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Cover Photo: David DiMicco



ENERGY AND PRICES—LESSON 2



By Ken Parich,
Editor-in-Chief

Back in the 1970s, during the last oil crisis and general inflation, the argument of "replacement cost" first arose—in the supermarket industry. A trade association executive explained to me how the supermarket operators had to charge more immediately, even on old merchandise, in order to have the money to buy new stock.

Although my eyebrows remained somewhat arched, I allowed as how that was a pretty good argument. After some more thought, however, I asked if that wasn't exactly the same position I was in as a consumer, replacing my pantry. "Not to worry," he said, "you benefit when the price comes down."

But looking at gasoline, back when the price of gasoline was in the 60-to 65-cent per gallon range, and then suddenly shot up to more than a dollar, I do not recall that it ever went back to the 65-cent range. Nor did anything else.

This August, with the sudden price jumps at the gas pump, *The Wall Street Journal*, a.k.a. the Daily Diary of the American Dream, ran a typically snide editorial "Energy Lesson 1," spelling out the argument of replacement cost for oil, with the instruction to "Repeat after me: r-e-p-l-a-c-e-m-e-n-t cost," and how it is too bad that so many people slept through the decade of the 1970s.

Using this kind of logic, supermarket operators should probably follow the futures market in grain, cattle, pork bellies, and safflower oil—and, when a noticeable increase is found, run out and change the price of bread, steak, sausage and margarine.

I wonder just how long the supermarkets would get away with that, especially if the prices were up, and if the old price was left on the margarine, or whatever. Not long, I judge, since back in those same 1970s, in those stores with item pricing, all hell broke loose. Newspapers wrote nasty editorials about gouging supermarkets that were raising

prices on old merchandise, showing three or four price changes.

I raise these issues, not to ask for old-priced groceries and new-priced groceries throughout the system, as the government tried to do with oil. The problem at the grocery store was simply one of technology and item pricing that revealed the old price to everyone. Too bad.

The problem for me, if not for *The*

As Fred Allen might have said, "Replacement cost, my clavicle!"

Journal, is that I find it difficult to pretend that we really have a free market system (especially in oil) when I am aware that an oligopoly called OPEC (where each of a few producers exerts disproportionate power) is indirectly controlling the price by controlling production.

I also have difficulty in believing that the oil companies—even in Texas—are not gleeful when OPEC increases prices. Any fool knows that the same profit margin on higher prices produces more dollars. It is never a penny for penny pass-through, as any businessman will admit.

Perhaps I would be more sympathetic to the need for the oil companies to maintain profits when the price of crude goes up, as *Fortune* magazine explained to me in its special report on oil, if so many oil companies were not also pro-

ducers, refiners, distributors and retailers. They get the increases at every level.

Meat packers are not allowed to own supermarkets or retail butcher shops. For the same reasons, Consolidated Foods was forced to divest itself of Eagle Food Centers, some years ago. The anti-trust laws are not applied equally, it seems.

Perhaps I simply missed it, but I don't recall any editorials explaining how it was necessary for the nation's supermarkets to raise all prices during an inflation because of the need to cover replacement costs. But then perhaps everybody knows that supermarkets were built on the principle of trying to sell the stuff before you have to pay for it. Maybe they should explain this to the oil companies—or do you think they know?

I would think that the idea of a "futures" market is that one contracts for delivery at some later date at a certain price. In actuality, from what I can read, the oil companies are not buying very much oil right now, because of price uncertainty and because there is no great need.

If anybody were to call a spade a spade in all of this, it is probably a case of psychological market impact, and a climate of being able to raise prices because of a potential shortage of cheap or cheaper oil.

As Fred Allen might have said, "Replacement cost, my clavicle!" It's purely a case of being able to charge whatever the market will bear. There's nothing undemocratic or essentially wrong with that in a free market system, except that there is a bear called OPEC holding the spigot on Middle Eastern oil. What's free market about that?

It's too bad we can't have item-pricing at the gas pump. Or, is it too bad that we have item pricing at the supermarket? It depends upon your point of view, I guess. **EB**

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CONSUMER EXPENDITURES STUDY

BY DAVID LITWAK, DIRECTOR OF RESEARCH
ASSISTED BY JANET TORRES CEPEDA

Higher prices gave the grocery industry another record year in dollar sales, but grocery tonnage, which is closely tied to population, has been flat. The real story lies in rapidly changing trends in individual food and grocery categories.

Total grocery sales in dollars and in tonnage are closely tied to population. With flat population trends in the U.S., without inflation, grocery sales do not grow appreciably. The real story of what happened in grocery sales in 1989 lies within the category tables and the focus features in this special report, the Annual Consumer Expenditures Study.

Within the CES tables and features there are many enlightening changes taking place—in frozen foods, diet foods, shelf-stable microwavable foods, fresh bakery, fresh deli, fresh fish, produce and take out foods. The list keeps growing every year.

The good news about 1989 is that the grocery industry had total sales of almost \$329.7 billion dollars, the highest ever for the industry. This represented an increase of 6.1 percent over 1988's \$310.8 billion.

The bad news is that prices grew even faster. According to the U.S. Department of Labor's Bureau of Labor Statistics, the Consumer Price Index (CPI) for food at home, basically grocery store products, rose 6.5 percent during 1989. Therefore, the dollar sales gains experienced by the grocery industry last year were due to higher prices, not increased tonnage.

In fact, sales tonnage declined about 0.4 percent. The decline is particularly troubling in light of the highly competitive state of the food business these days. The grocery industry is fighting for each consumer dollar, both with food establishments outside the industry, and

among the elements within the grocery industry.

Supermarkets are competing with smaller grocery stores, particularly the ever-aggressive convenience stores, for dollars spent on essential groceries and, more and more, for convenience foods. From outside the grocery industry, the competition is even fiercer. Specialty food stores have always held part of the consumer food dollar.

Not only food-related stores compete for the food and nonfood dollars the supermarkets want. Drugstores and mass merchandisers have increased the number of food items that they sell. Warehouse clubs and other new hybrid formats have also cut into some supermarket sales.

Foodservice competitors gain share

How have these competitors done when compared with the pace of grocery sales? Some competitors did rather well last year, while others suffered. The most successful were restaurants, fast food and other foodservice establishments.

Dollar sales at these outlets increased 10.4 percent to \$173.7 billion dollars in 1989. Meanwhile, the CPI for food away from home went up only 4.6 percent, which produced a net volume gain of 5.5 percent.

This gain in foodservice volume is significant, and indicates that supermarkets and other grocery outlets are lagging behind in the race for the prepared food dollar.

Supermarkets in particular, have put a lot of money and effort into

beefing up their delis and prepared foods programs in hopes of gaining a stronger hold on the increasing desire for prepared foods. It appears that so far the efforts have not been enough.

Another industry that did well last year were those in the general merchandise group, which includes mass merchandisers. These outlets had sales gains of 9.9 percent.

Some key competitors of supermarkets and other grocery outlets had poor years in 1989. Liquor stores, which compete with supermarkets in some states, had only a 4.3 percent sales dollar gain last year, while drug and proprietary stores realized only a 2.0 percent gain in dollar sales.

Some food competitors did poorly last year. Specialty food stores, which includes gourmet, meat, deli, bakery, produce and fish retailers lost both dollar sales and volume. Sales of these stores reached only \$19.9 billion in 1989, down 3.3 percent.

These stores seem to be hit by a double whammy, having lost sales to both grocery outlets and foodservice outlets. Many consumers shun them in their quest for convenient foods, either already prepared or at least purchased on a one-stop basis.

Grocery stores account for 19.2 percent of the more than \$1.7 trillion in retail sales in the United States during 1989. Of all the retail industries, only motor vehicle dealers have a larger piece of the retail pie, 22.0 percent (based on sales of \$378.3 billion).

There are several reasons to explain why the grocery industry

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failed to grow last year. One important factor is the shifting balance between the various segments of the food industry. Although the shift was slight, restaurants made inroads into the grocery share of the food dollar.

The total sales in 1989 of all food outlets, including grocery, restaurant and specialty foods stores were \$523.3 billion, which was a 7.1 percent increase over 1988's \$488.8 billion. In 1988, restaurants accounted for 32.2 percent of those dollars, while grocery stores brought in 63.6 percent. By the end of 1989, restaurants had upped their share to 33.2 percent, while grocery's share fell to 63.0 percent.

As consumers continued to look for "healthier" foods, fresh poultry and seafood directly benefited from the decline in red meat sales.

These may be small shifts in terms of percentages, but they represent a significant number of dollars, given the size of the market.

Shifts in eating patterns also helped to account for slowed sales growth. Fresh meat has always been the largest single section in the supermarket. Compared with all the other food items, fresh meat has always had higher prices, and brought in the biggest share of the food dollar. While that is still true, fresh meat sales were somewhat disappointing in 1989:

Sales of the fresh meat, fish and poultry department were up slightly last year (2 percent). The fresh meat section of the department, lost 0.9 percent, however, with its largest participant, beef, losing 1.6 percent of its sales. It took a 10.4 percent increase in poultry, a 4.7 percent increase in fish/seafood, and a 2 percent increase in packaged meats to offset the loss in beef. Higher beef prices (the CPI for beef was up 4.0 percent) did not make up for the lost tonnage, as the per capita consumption of beef fell 5.3 percent to 68.9 lbs.

During this period, pork sales remained at about the level of the pre-

vious year (up 0.9 percent), while lamb rose 7.6 percent and veal fell 7.9 percent.

If beef had had a strong year, or even a stable year, then the stronger sales in poultry and fish would have helped raise sales of the whole department and even the entire store to a higher level.

Dietary concerns have helped keep down the sales of fresh red meat over the last few years, while raising the sales of poultry and fish. But health and diet are not the only reasons for beef's decline. Sales of fresh meat in supermarkets were affected by consumers' switching some of their purchases from fresh raw meat to cooked products.

As has been said before, the need for convenience is a driving force in food sales. More shoppers and their dollars are drifting toward prepared foods. Consumers may not be buying as much fresh meat, but may be buying that same meat already prepared. Evidence of this is the rise in sales of prepared foods through supermarkets, and the increase in deli sales.

Service deli sales rose 16.5 percent
Continued on page 46

METHODOLOGY

The 43rd Annual Consumer Expenditures Study (CES) represents a concerted effort of individuals and firms from all facets of the food retailing industry. Drawing on the methodological tradition of 42 prior studies, the 43rd annual study has brought together literally hundreds of sources, from companies that are household names, to those that are acknowledged as leaders within a specific segment of our industry.

The content of the CES is derived from input into each of the 700-plus categories by the leading manufacturers, processors, packers and marketers of those categories. Additional information on each category is gathered from management companies, advertising agencies, market research firms, trade associations and wholesalers and retailers of the products.

The methodology used is varied, ranging from the tried-and-true methods of mail and telephone surveys, to old-fashioned book research into secondary sources, to the use of scanning data.

Initially, respondents in each category are sent a questionnaire about that category. Respondents to our questionnaires were supplied with sales estimates from the 42nd Annual CES (1988) for the product lines in which they specialize. We asked them to indicate the percentage change in retail sales for these products in all outlets and through grocery stores alone. It should be stressed that we asked them to supply industrywide figures, and

not their own sales figures. They also had the option to adjust previous sales figures according to their knowledge of the market.

Once these responses had been recorded, they were verified by referring to any number of secondary sources, and retail scanning data. Wherever possible, each number was cross-checked, even if the response came from a marketer who had a 75 percent share of a particular category.

The result of all this is the consolidation of information into one set of numbers representing the percentage change in the total domestic, grocery and supermarket sales from 1988 to 1989, which is then applied to the 1988 base figure or, if situations warrant, a revised 1988 base figure.

The 1989 CES contains two categories that were not previously broken out in our annual studies. These represent changes in the marketplace that we've incorporated into the study. Figures for these new categories were, in most cases, included in miscellaneous or "other" categories. In order to accurately reflect the changes in the new categories, and the store departments from which they are drawn, it was necessary to revise some of the previously published 1988 figures to include that year's sales in these categories. Wherever the 1988 sales of a category or department have been revised, a footnote appears explaining the revision.

OUR DEFINITIONS OF GROCERY STORES

Some of the following items are referred to in this report. To assist interpretations of our findings, they are listed below:

Supermarket: Complete, full-line self-service and partial service food market, with annual sales of at least \$2 million.

Superette: Self-service or service food store handling groceries, meats and produce, with annual sales of \$1 million to \$2 million.

Convenience Store: Small food stores, usually open extended hours and selling a limited line of fast-moving items.

Specialty Store: Store whose primary line may be meat, dairy, produce, drug or general merchandise.

All Other Food Stores: Small (less than \$1 million annual sales) general food stores, or food stores not classified above.

Chain: An operation of 11 or more food retailing stores, regardless of individual dollar volume.

last year, making it again one of the top gainers in the store. With sales topping \$11.1 billion, the switch from raw to prepared meats and other foods is evident. This is a good thing for the supermarket when it comes to building sales dollars. Sales of prepared foods are usually higher priced and more profitable than sales of fresh foods, even meats.

The problem is that many of the sales that have drifted away from fresh meat do not find their way to the service deli counter, or even to the refrigerated or frozen cases. Much of the movement goes from the meat case, and right out the door to the foodservice outlet.

Tales of health, fads and society

The issues of health, nutrition and what is put into our bodies is still an important force in consumer food expenditures, at least for many consumers. Increases and decreases in sales of many items can still be pegged directly to these issues.

As we've seen, part of the decline in beef sales can be laid to the desire for less red meat in the diet. High fat contents also put the squeeze on butter (-8.3 percent) and lard (-14.1 percent) sales. Nutritional concerns also helped decrease sales of many canned meats and specialty foods (-3.2 percent), especially corned beef hash (-10.6) and ham (-7.9).

Eggs again took a beating last year, with sales falling 1.5 percent, partly

Sales of non-filter cigarettes through grocery stores went down 6.2 percent, which would seem to be in keeping with health concerns. But sales of filter-tip cigarettes increased 8.3 percent, and had one of the largest dollar sales gains in the store.

Increases in other items indicate that many Americans are as interested in enjoyment as in health. Beer sales were up in 1989 (+7.0). So were packaged sweet baked goods (+6.8 percent), candy and chewing gum (+3.6 percent), snack items (+8.0 percent), soft drinks (+3.8 percent), sugar (+6.9 percent), table syrup (+12.6 percent), refrigerated puddings (+25.3 percent), and frozen pies (+14.1 percent).

A few of the "hot" items and fast movers of the last few years became 1989's biggest burnouts. Call them fad items, or just items that didn't live up to their initial introductory sales.

These former fads include alcohol coolers, which went through the roof a few years ago but started to decline in 1988; last year, they dropped 11.3 percent. Cereal bars also fell from grace (-7.8 percent), as did reducing preparations (-10.8 percent). Microwave cookware also tumbled (-20.8 percent), as the former high-growth category probably reached its saturation point*, as inevitably happens to all new "long-life" products.

A class of products that seems to ebb and flow under the changing whims of the consumer is the diet aids section. Reducing preparations declined last year after good growth the prior year. But metered-calorie meals skyrocketed up 135.6 percent, the highest increase of any category in the store. This was due to the introduction and promotion of several powdered meal substitutes. If the past has any lessons, it should be remembered that not too long ago, metered-calorie meals were also among the highest growth categories, but were the fastest-declining category in the store the following year.

An example of a category increasing because its time has come may well be prescription drugs. In 1989, sales of prescription drugs in supermarket pharmacies rose 26.3 percent. This can be attributed to at least three reasons. There are about 4,300 instore pharmacies in operation in the nation's supermarkets, up by 1,300 from 1987. The price of the average prescription also rose last year by 7.8 percent. Finally, not only are there more pharmacies in supermarkets, but the individual pharmacies may be filling more prescriptions now than a year or two ago.

How the departments fared

If anyone tells you that supermarkets don't have the image of fresh foods, don't believe them. Perishables still control the store. Almost

half (47.8 percent) of the sales of supermarkets come from the perishables departments.

Perishables did lose some of their grip, though. In 1988, they accounted for 48.3 percent of supermarket sales. The drop is explained by the growing influence in the nonfoods departments, especially HBA. Dry-grocery foods stayed the same in terms of share of supermarket sales.

HBA, prescriptions gain

HBA, including prescriptions, now accounts for 5.17 percent of supermarket sales, compared with the 4.75 percent share it held in 1988. The reason for this increase is the 8.9 percent jump in dollar sales that department saw last year.

A strange thing happened in the supermarket. Sales of the three nonfoods departments grew faster than the store average of 6.1 percent. In addition to HBA's 8.9 percent dollar sales growth, household supplies grew at a rate of 6.4 percent, while general merchandise grew at 7.4 percent.

In contrast, the food side of the store grew at an average rate of 5.7 percent, with dry-grocery foods rising 5.9 percent, and perishables gaining only 5.6 percent. It should be remembered that the slower movement of the foods section is due, in part, to its much higher volume. Food, at \$191.6 billion accounts for 74.8 percent of total supermarket sales. It takes huge amounts of extra sales dollars to raise that kind of volume up even a few tenths of a percent.

One food department that did beat the store growth average is the dairy department. Dairy grew at a rate of 10.6 percent in 1989, to a level of \$22.5 billion and accounts for 6.8 percent of store sales. Baby foods also had another strong year in 1989, with increased sales of 10.6 percent.

One food department that always seems to do well is the breakfast foods section. Sales last year increased 12.9 percent, due mostly to the ever-present sales increases (14.4 percent) in ready-to-eat cereals. Hot cereals also increased, by 12.3 percent.

Weather, changing consumer needs, societal whims, insects, allowances, prices all these factors had broad-reaching effects on the grocery business last year. The industry is both haunted and blessed by the specter of all these external influences — haunted in that it can be affected unpredictably by any combination of these, but at the same time blessed by the fact that the industry is so big, and so crucial to the lives of the consumer, that no single set of factors is big enough to collapse it.

The interesting part comes in trying to figure out what set of factors will be trying to drive the industry next, and how to prepare for them. ■

Sales of the three nonfoods departments (HBA, GM, and household supplies) grew faster than the store average of 6.1 percent.

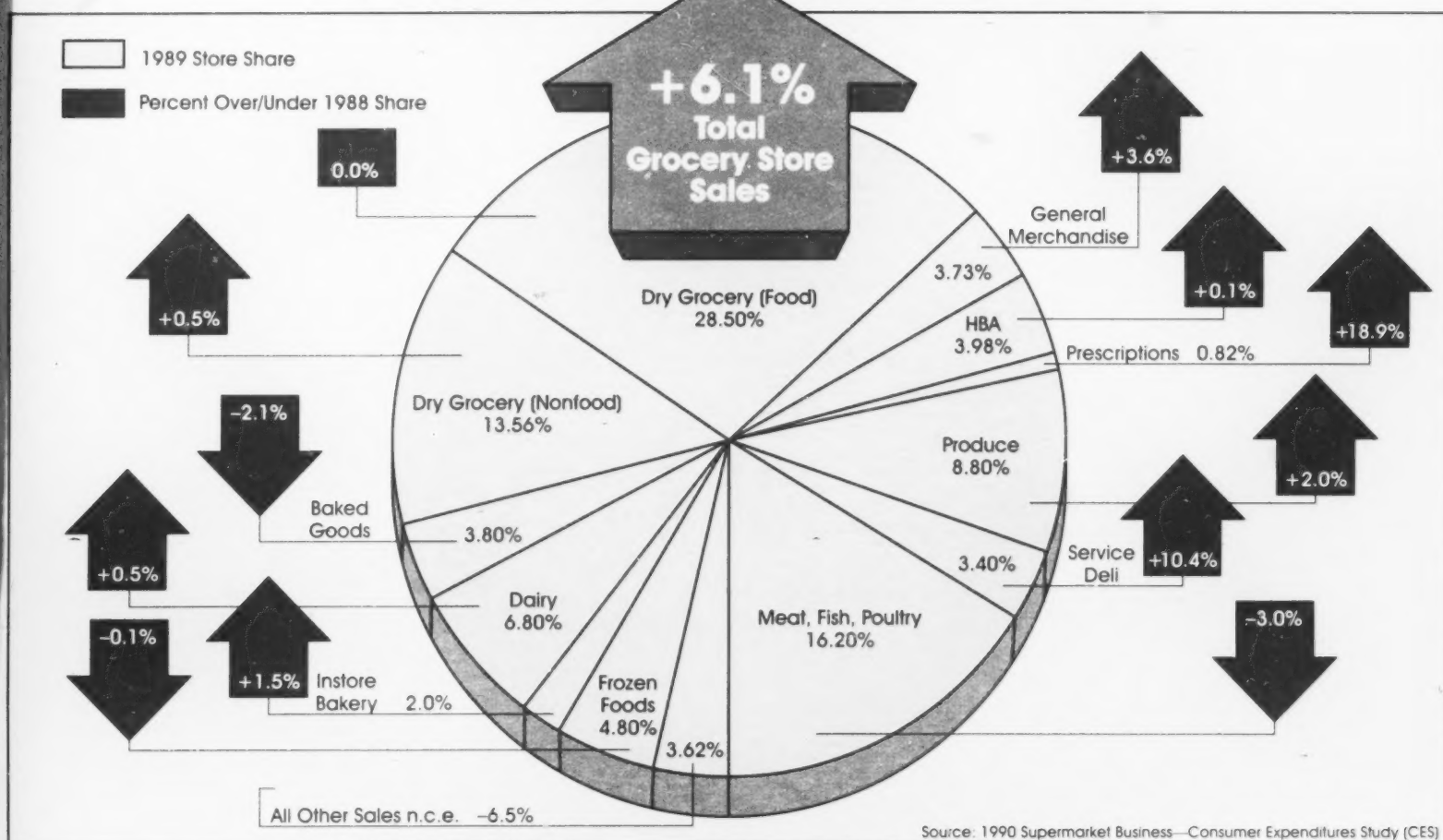
due to the continuing saga of the effects of cholesterol, and partly due to concerns over salmonella contamination. White bread also continued to decline (0.9 percent), in favor of sales of variety and grain breads (+13.4 percent).

Many categories profited from consumer health concerns. Fresh poultry and fish/seafood were once again direct beneficiaries of the decline in red meat sales. Almost all the "fresh food" categories increased sales.

Other products perceived as "healthy" fared well last year, such as yogurt (+6.8 percent), olive oil (+18.4 percent), bottled water (+19.3 percent), and items from the instore bakery (+8.7 percent).

One category that is somewhat peculiar is the cigarette category.

HIGHLIGHTS



In 1989 most supermarket departments did not substantially increase or decrease their share of store sales relative to those of other departments. The biggest exception to this was in the fresh and cured meat, fish and poultry department, which lost about 3 percent of its previous sales share, and currently has 16.2% of sales.

Much of this department's loss can be placed on the decline in the sales of fresh beef, which pulled down the whole department, despite sales gains of poultry, fish and packaged cured meats. Baked goods also experienced a loss of sales share last year, falling 2.1 percent.

The largest gains in share of store sales were in the pharmacy (+18.9%) and the service deli (+10.4%). General merchandise was the only other part of the store that had substantial gains in share of sales (+3.6%). The rest of the store's major departments either stayed at exactly the same share of sales as last year, or had very slight shifts from their 1988 levels.

WEEKLY SPENDING IN GROCERY STORES

**\$68.25 PER HOUSEHOLD,
\$25.48 PER CAPITA**

	1989		1988	
POPULATION	248.8 million		246.0 million	
HOUSEHOLD	92.9 million		91.1 million	
	ANNUAL	WEEK	ANNUAL	WEEK
PERISHABLES				
Per Capita	\$605.58	\$11.65	\$581.22	\$11.17
Per Household	\$1,621.83	\$31.19	\$1,571.23	\$30.21
DRY GROCERY (FOOD)				
Per Capita	\$377.66	\$7.26	\$353.79	\$6.80
Per Household	\$1,011.42	\$19.45	\$956.40	\$18.39
TOTAL FOODS				
Per Capita	\$983.24	\$18.90	\$935.01	\$17.89
Per Household	\$3,644.67	\$50.64	\$2,527.63	\$48.60
DRY GROCERY (NONFOOD)				
Per Capita	\$179.69	\$3.46	\$164.26	\$3.15
Per Household	\$481.23	\$9.26	\$444.04	\$8.53
GENERAL MERCHANDISING/HBA				
Per Capita	\$113.03	\$2.17	\$101.08	\$1.94
Per Household	\$302.72	\$5.82	\$273.25	\$5.25
GRAND TOTAL*				
Per Capita	\$1,325.11	\$25.48	\$1,263.54	\$24.39
Per Household	\$3,548.85	\$68.25	\$3,415.72	\$65.68

NOTE: Population and household data are from U.S. Bureau of the Census. Includes one-person households. Excludes armed forces overseas. Sales figures are from 1990 C.E.S.
 *Total includes merchandise sales not classified above.

The average American household spends roughly \$68.25 per week at the grocery store. This is an increase of just \$2.57 per week over 1988's expenditures. Higher prices played an important role in this increase. During 1989 food prices in the supermarkets averaged about 6.5% higher than they did the year before.

Of the extra \$2.57 spent by each household, \$2.04 a week was spent on food. The biggest single increase last year was the extra \$1.06 households spent on dry-grocery food items.

HIGHLIGHTS

The average American household spent 3.9 percent more in grocery stores each week in 1989 than they did in 1988. Last year's weekly expenditures were \$68.25, which is \$2.57 more than the previous year.

Food products received 79 percent of the increased weekly revenues. On a percentage basis, the largest money gainer was canned milk, which increased its average weekly intake by 42.3 percent. This may seem like a huge increase, but on average it amounts to about 3 cents a week per household.

On a larger scale, the service deli saw an average household expenditure increase of 27 cents a week in 1989, a gain of 13.4 percent. The largest monetary gain among the food categories belonged to beer, which increased its weekly share by 32 cents, to \$3.30 (+10.7%).

Not all food items benefited from last year's increased spending. Fresh meat and provisions lost a significant 2.1% of its share of the weekly food bill, dropping from its 1988 high of \$8.59 to \$8.41 in 1989.

HOW AN AVERAGE HOUSEHOLD DOLES OUT ITS DOLLARS IN GROCERY STORES EACH WEEK

	1989	1988	CHANGE
PERISHABLES			
Baked goods	\$ 2.58	\$ 2.55	+ 1.2%
Dairy	4.64	4.44	+ 4.5
Frozen foods	3.28	3.18	+ 3.2
Fresh meat and provisions	8.41	8.59	- 2.1
Fresh fish	.75	.73	+ 2.7
Fresh poultry	1.88	1.74	+ 2.2
Produce	6.00	5.67	+ 5.8
Instore bakery	1.36	1.29	+ 5.4
Instore deli	2.29	2.02	+ 13.4
Total	\$31.19	\$30.21	+ 3.3%
DRY GROCERY (FOOD)			
Beer	\$ 3.30	\$ 2.98	+ 10.7%
Wine, liquor, coolers	.59	.63	- 6.3
Baby food	.48	.45	+ 6.7
Breakfast foods	1.58	1.43	+ 10.5
Candy and chewing gum	.74	.73	+ 1.4
Canned foods			
Fruits	.36	.36	0.0
Juices and drinks	.87	.83	+ 4.8
Meat and poultry	.29	.31	- 6.4
Milk	.10	.07	+ 42.3
Seafood & fish	.42	.42	0.0
Soups	.40	.38	+ 5.3
Vegetables	.69	.65	+ 6.2
Prepared Drinks	1.53	1.56	- 1.9
Dried foods	.66	.61	+ 8.2
Jams, jellies and preserves	.45	.42	+ 7.2
Pasta	.27	.24	+ 12.5
Desserts	.12	.12	0.0
Soft drinks	2.14	2.10	+ 1.9
Sugar	.32	.30	+ 6.7
Miscellaneous	4.14	3.80	+ 9.0
Total	\$19.45	\$18.39	+ 5.8%
Total Foods	\$50.64	\$48.60	+ 4.2%
DRY GROCERY (NONFOOD)			
Paper goods	\$ 2.44	\$ 2.30	+ 6.1%
Soaps, detergents	1.22	1.17	+ 4.3
Other household supplies	1.35	.88	+ 53.4
Pet foods	1.28	1.24	+ 3.3
Tobacco products	2.97	2.94	+ 1.0
Total	\$ 9.26	\$ 8.53	+ 8.6%
GENERAL MERCHANDISE/HBA			
Health and beauty aids (nonprescription)	\$ 2.72	\$ 2.60	+ 4.6%
Prescriptions	.56	.45	+ 24.5
Housewares	.26	.25	+ 4.0
All other general merchandise	2.28	1.95	+ 16.9
Total	\$ 5.82	\$ 5.25	+ 10.9%
All other sales n.c.e.	\$ 2.53	\$ 2.54	- 0.4%
GRAND TOTAL	\$68.25	\$65.68	+ 3.9%

Source: 1990 C.E.S.

Wine, liquors and coolers (-6.3%), canned meats and poultry (-6.4%) and prepared drinks (-1.9%) were also losers among the food categories.

All nonfoods categories gained in terms of how much money they brought in each week. The largest percentage gain in weekly spending belongs to the household supplies segment (other than detergents and paper products), which had an increase of 53.4 percent. This translated to a gain of 47 cents a week.

The other big gainers among the nonfoods sections were prescription drugs (+24.5%) and general merchandise (other than housewares) (+16.9%). In larger segments, GM/HBA combined gained 10.9 percent last year (or 57 cents), while the dry-grocery nonfood segment of the store gained 8.6% (73 cents).

HIGHLIGHTS

CATEGORIES THAT INCREASED IN SALES IN 1989

LARGEST PERCENTAGE INCREASES IN DOLLAR SALES

RANK	CATEGORY	1989 GROCERY STORE SALES (000)	% INCREASE	% OF STORE VOLUME
1	Metered Calorie Meals	151,955	135.6	0.04
2	Frozen Yogurt	202,987	53.6	0.07
3	Frozen Sandwiches	226,052	52.6	0.07
4	Personal Insect Repellants	38,887	41.3	0.01
5	Frozen Waffles	365,971	29.6	0.10
6	Home Pregnancy Tests	36,877	27.1	0.01
7	Incontinence Products	70,368	27.1	0.02
8	Prescription Drugs	2,693,707	26.3	0.82
9	Refrigerated Puddings	76,479	25.3	0.03
10	Film Processing	406,432	25.0	0.12
11	Miscellaneous Frozen Prepared Foods	42,667	23.7	0.02
12	Pretzels	334,954	20.3	0.10
13	Window Cleaners	101,649	20.3	0.03
14	Miscellaneous Frozen Breakfast Items	218,130	20.3	0.10
15	Bottled Water	546,801	19.3	0.16
16	Diarrhea Remedies	103,828	19.1	0.03
17	Contact Lens Care Products	193,130	19.1	0.06
18	Olive Oil	157,378	18.4	0.05
19	Waveset Preparations	15,436	18.3	0.00
20	Sunglasses	146,662	18.3	0.04

LARGEST VOLUME INCREASES IN DOLLAR SALES

RANK	CATEGORY	DOLLAR SALES INCREASE (000)	% INCREASE	% OF STORE VOLUME
1	Service Deli	1,570,000	16.5	3.40
2	Filter Tip Cigarettes	1,047,414	8.3	4.14
3	Beer	1,034,534	7.0	4.83
4	Fresh Poultry	859,318	10.4	2.80
5	Cold Cereals	812,023	14.4	1.96
6	Prescription Drugs	560,922	26.3	0.82
7	Instore Bakery	530,000	8.7	2.00
8	Yogurt	449,099	6.8	0.70
9	Apples	343,648	11.8	1.00
10	Cookies, Crackers & Biscuits	317,601	6.8	1.50
11	Milk	307,584	4.9	2.00
12	Processed Cheese	244,750	12.3	0.70
13	Miscellaneous Fresh Fruits	243,496	5.3	1.50
14	Toilet Paper	229,185	9.2	0.82
15	Citrus Fruits	208,765	10.3	0.70

CATEGORIES THAT DECREASED IN SALES IN 1989

LARGEST PERCENTAGE DECREASES IN DOLLAR SALES

RANK	CATEGORY	1989 GROCERY STORE SALES (000)	% DECREASE	% OF STORE VOLUME
1	Flash Bulbs & Cubes	84,147	-22.2	0.02
2	Microwave Cookware	74,195	-20.8	0.02
3	Frosting & Icing Mixes	182,335	-20.3	0.05
4	Lard	35,184	-14.1	0.00
5	Antifreeze	91,987	-13.8	0.03
6	Alcohol Coolers	590,296	-11.3	0.18
7	Miscellaneous Dried Fruits	15,633	-11.3	0.00
8	Reducing Preparations	58,560	-10.8	0.02
9	Canned Corned Beef	62,856	-10.6	0.03
10	Semi-Moist Dog Food	148,229	-10.5	0.04
11	Bath Detergents	105,821	-9.9	0.03
12	Semi-Moist Cat Food	183,898	-9.7	0.05
13	Buffing Floor Wax	6,092	-8.7	0.00
14	Chocolate Covered Nuts	30,573	-8.4	0.01
15	Butter	789,325	-8.3	0.20
16	Refrigerated Apple Juice	66,085	-8.3	0.03
17	Canned Ham	244,523	-7.9	0.07
18	Cereal Bars	322,270	-7.8	0.10
19	Canned Grapefruit Juice	135,233	-7.0	0.04
20	Auto Polish	36,286	-6.2	0.01

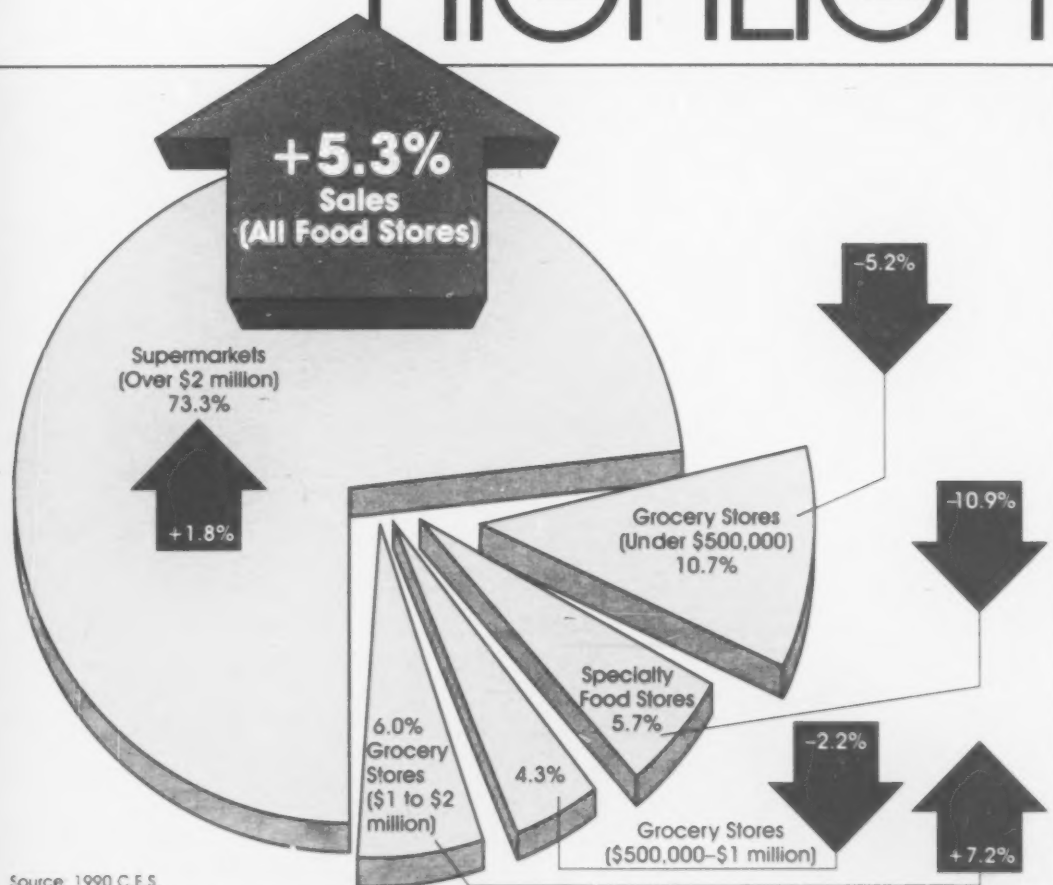
LARGEST VOLUME DECREASES IN DOLLAR SALES

RANK	CATEGORY	DOLLAR SALES DECREASE (000)	% DECREASE	% OF STORE VOLUME
1	Beef	341,074	-1.6	6.40
2	Butter	101,103	-8.3	0.20
3	Alcohol Coolers	75,201	-11.3	0.18
4	Instant Coffee	68,910	-6.2	0.38
5	Frozen Orange Juice	47,427	-4.2	0.30
6	White Bread	46,508	-0.9	1.60
7	Frosting, Icing Mixes	46,442	-20.3	0.05
8	Veal	45,482	-7.9	0.20
9	Non-Filter Cigarettes	44,347	-6.0	0.21
10	Frozen Pizza	42,107	-4.0	0.30
11	Eggs	29,659	-1.8	0.50
12	Cereal Bars	27,264	-7.8	0.10
13	Canned Ham	20,974	-7.9	0.07
14	Wine	19,905	-1.0	0.60
15	Semi-Moist Cat Food	19,754	-9.7	0.05

Last year saw new categories skyrocket into large sales gains. Of the 20 top growing categories, in terms of percentage increases in sales, only four were repeats from the previous year. These were incontinence products, frozen prepared foods, bottled water and olive oil. But while percentage increases are important, ultimately it's sales dollars that count. Eight of the top 15 dollar gainers were the same as those in 1988.

Some of the biggest percentage and dollar volume losers of the year were predictable: Flash bulbs and cubes, lard, and semi-moist pet foods have been declining rapidly for a number of years. But others on the list, such as antifreeze, had been doing well until last year. The biggest money losers of last year are mostly new to the list. Beef alone lost more money in 1989 than the next five biggest losers put together.

HIGHLIGHTS



Source: 1990 C.E.S.

Supermarkets continue to control food sales, and now account for 73.3 percent of the total sales of all types of grocery and specialty food outlets. Superettes, or stores doing \$1-\$2 million a year, saw their share of the food expenditure pie increase by 7.2 percent; they now control 6.0 percent of sales. All the smaller stores lost some of their share of the market.

The industry lost about 3 percent of its stores during 1989. The total number of grocery stores shrank from 151,500 in 1988 to 147,000 in 1989. Most of the stores that closed were smaller stores, doing less than \$500,000 a year in business. Chains strengthened their hold on the industry, and now control 80.1 percent of the business.

FOOD STORE SALES—BY STORE VOLUME

	SALES (000)		PERCENT OF VOLUME	
	1989	1988	1989	1988
SUPERMARKETS Over \$2 million	\$256,230,075	\$238,932,471	73.3%	72.0%
SUPERETTES \$1 million to \$2 million	\$20,941,341	\$18,683,132	6.0	5.6
OTHER GROCERY STORES Under \$1 million*	\$52,516,584	\$53,215,397	15.0	16.0
Total Grocery Stores	\$329,688,000	\$310,831,000	94.3	93.6
SPECIALTY FOOD STORES†	\$19,874,000	\$21,173,000	5.7	6.4
TOTAL FOOD STORES	\$349,562,000	\$332,004,000	100.0%	100.0%

*Includes convenience stores and other small grocery stores.
†Includes meat, seafood, fruit and vegetable markets, confectionary, bakery, deli and other food stores.

Source: 1990 C.E.S.

FOOD STORE SALES—BY AFFILIATION

	SALES (000)	PERCENT OF VOLUME
	1989	1989
INDEPENDENT GROCERY STORES	\$49,782,888	14.2%
CHAIN GROCERY STORES*	\$279,905,112	80.1
Total Grocery Stores	\$329,688,000	94.3
SPECIALTY FOOD STORES	\$19,874,000	5.7
TOTAL FOOD STORES	\$349,562,000	100.0%

*Chains (11 or more stores)

Source: 1990 C.E.S.

GROCERY STORE SALES TRENDS: 1989*

NUMBER OF GROCERY STORES	147,000
Sales (000)	\$329,688,000
Sales Per Store	\$2,242,776
U.S. Population	248,800,000
"People" Per Store	1,693

NUMBER OF GROCERY STORES	
Over \$2,000,000	30,700
\$1,000,000 - \$2,000,000	11,300
\$500,000 - \$1,000,000	18,775
\$500,000 or more	60,775
All Other	86,225

SALES (000)	
Over \$2,000,000	\$256,230,075
\$1,000,000 - \$2,000,000	\$20,941,341
\$500,000 - \$1,000,000	\$17,305,255
\$500,000 or more	\$294,476,671
All Other	\$35,211,329

SALES PER STORE	
Over \$2,000,000	\$8,346,287
\$1,000,000 - \$2,000,000	\$1,853,216
\$500,000 - \$1,000,000	\$921,718
\$500,000 or more	\$11,121,191
All Other	\$408,366

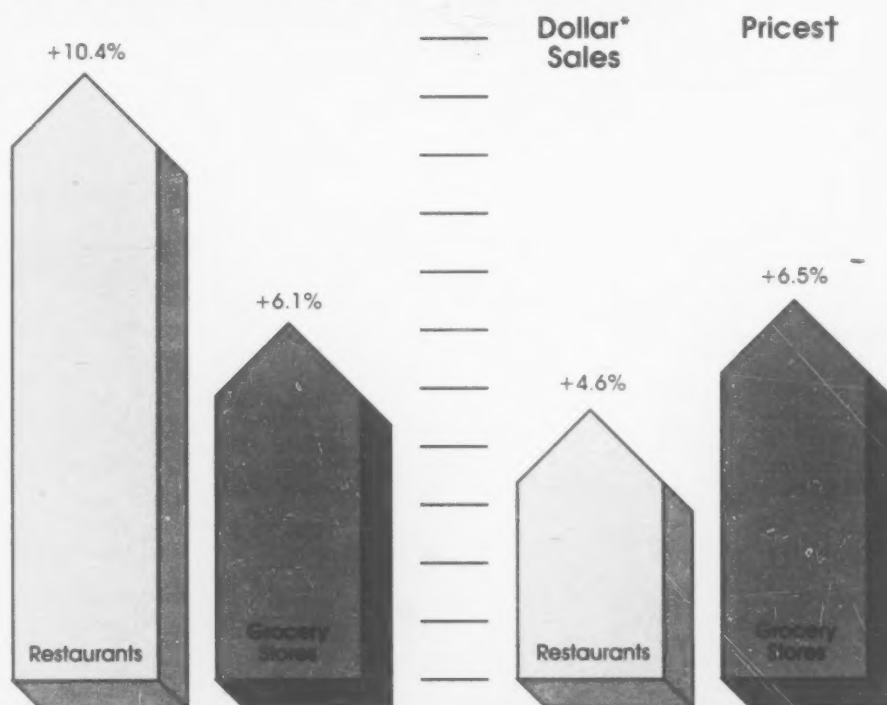
CHAINS (11 OR MORE STORES)	21,500
Total Sales (000)	\$279,905,112
Sales Per Store	13,018,842
% of Total Sales	84.9%

ALL OTHER STORES	125,500
Total Sales (000)	\$49,782,888
Sales Per Store	\$396,676
% of Total Sales	15.1%

*Grocery Store Sales Reported by U.S. Department of Commerce

HIGHLIGHTS

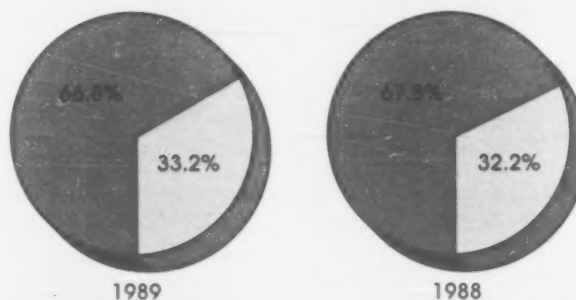
GROCERIES TRAILING THE RACE FOR FOOD DOLLARS



The battle for the American food dollar between the grocery and restaurant/foodservice industries has intensified over the past few years. 1989 was a very good year for restaurants, and conversely not so good for groceries. Restaurants experienced a 10.4% increase in sales, while grocery sales went up only 6.1%. More importantly prices in restaurants rose only 4.6% compared to the 6.5% rise in grocery prices. This means that restaurants grew 5.5% in net tonnage, while grocery stores lost 0.4%. The restaurant share of the food dollar increased to 33.2% in 1989 from 32.2% in 1988.

SHARE OF FOOD DOLLAR*

○ Restaurants
● Grocery Stores**



Sources:
*U.S. Dept. of Commerce
†Bureau of Labor Statistics
**Includes specialty food shops

RANKING OF RETAIL SALES BY TRADE*

	1989 SALES (MILLION)	PERCENT OF TOTAL	CHANGE VS. 1988
ALL RETAIL STORES	\$1,718,766	100.0%	+6.6
Building supply, Hardware Stores	93,059	5.4	+10.5
Eating & Drinking Establishments	173,716	10.1	+10.4
General Merchandise Group	201,881	11.8	+9.9
Apparel Group	90,960	5.3	+9.0
Gasoline Service Stations	115,445	6.7	+7.0
All Other Retail Stores	144,533	8.2	+6.6
Grocery Stores	329,688	19.2	+6.1
Motor Vehicle Dealers	378,317	22.0	+5.8
Liquor Stores	20,019	1.2	+4.3
Drug & Proprietary Stores	61,173	3.6	+2.0
Furnishings, Appliances	90,101	5.3	-2.3
Specialty Food Stores	19,874	1.2	-3.3

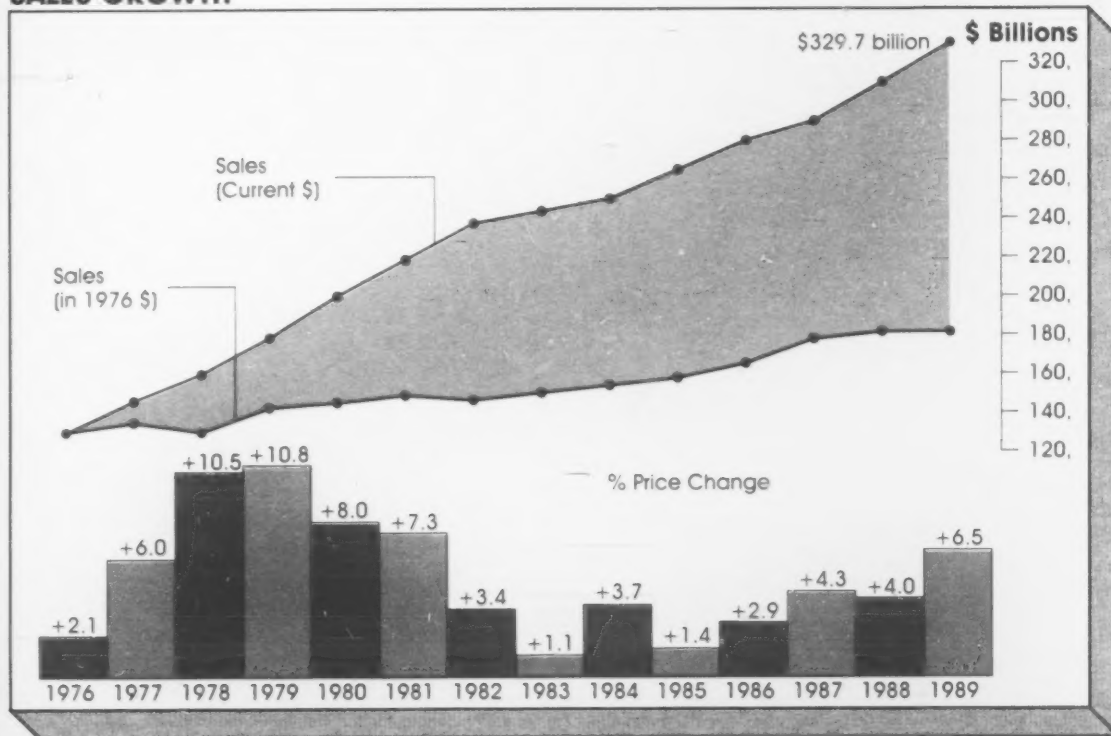
Source: U.S. Dept. of Commerce

Grocery stores, while still the nation's second-largest retail industry, with 19.2 percent of all retail sales, only grew at 6.1 percent in 1989. This was less than the growth rate of some other retail industries, such as archival eating and drinking establishments (+10.1%).

The largest gain in retail dollars was in the building supply and hardware industry, which improved by 10.5%. General merchandise stores and apparel stores also topped the grocery growth level. Poorer growth was seen by drugstores, liquor stores and car dealers. Furniture and appliance stores, as well as specialty food stores, lost sales last year compared to 1988.

HIGHLIGHTS

SALES GROWTH



From a 1979 sales base of \$129.2 billion, sales increased more than 255% to \$329.7 billion in 1989. During the same 14-year period, prices rose 86.8%.

During most of this period, sales volume outpaced price hikes during individual years. Sales during 1989 weren't as fortunate, as they were more affected by prices than tonnage gains.

CHANGES IN CONSUMER PRICE INDEX 1989-88 FOR SUPERMARKET PRODUCTS*

	Percent Change 1989	1988		Percent Change 1989	1988		Percent Change 1989	1988		Percent Change 1989	1988
FOOD	+ 5.8	+ 4.1	FISH & SEAFOOD	+ 4.5	+ 5.9	SUGAR & SWEETS	+ 4.7	+ 2.7	Snacks	+ 6.1	+ 3.0
Food away from home	+ 4.6	+ 4.1	Canned fish	+ 6.2	+12.4	Candy & chewing gum	+ 3.3	+ 2.8	Seasonings, olives, pickles, relish	+ 6.5	+ 2.8
Food at home	+ 6.5	+ 4.0	Fresh & frozen fish and seafood	+ 4.0	+ 4.1	Sugar & artificial sweeteners	+ 7.8	+ 3.1	HOUSEKEEPING SUPPLIES	+ 5.4	+ 2.9
Food and beverages	+ 5.7	+ 4.1	DAIRY PRODUCTS	+ 6.6	+ 2.3	Other sweets	+ 4.4	+ 3.2	Soaps & detergents	+ 5.8	+ 2.7
CEREALS & BAKERY	+ 8.4	+ 6.4	Fresh whole milk	+ 7.8	+ 2.3	FATS & OILS	+7.2	- 4.7	Other laundry, cleaning products	+ 5.7	+ 2.8
Bread, white	+ 9.1	+ 7.1	Butter	+ 0.1	- 0.4	Margarine	+10.0	+ 7.4	Paper towels, napkins, tissues	+ 7.6	+ 3.8
Other bread	+ 8.2	+ 6.0	Eggs	+26.6	+ 2.2	Other fats, oils & salad dressings	+ 5.3	- 6.7	TOBACCO PRODUCTS	+12.2	+ 9.1
Cookies & cakes	+ 7.6	+ 5.1	Cheese	+ 7.7	+ 2.9	Nondairy substitutes & peanut butter	+ 5.6	+ 0.0	Cigarettes	+12.2	+ 9.2
Flour, prepared mixes	+ 8.6	+ 2.7	Ice cream & related products	+ 4.9	+ 2.1	BEVERAGES	+ 3.5	+ 8.9	Tobacco & smoking products	+12.8	+ 9.1
FRESH BEEF & VEAL	+ 6.4	+ 5.5	Other dairy products	+ 1.7	+ 3.0	Carbonated drinks	+ 2.6	+ 0.2	HEALTH & BEAUTY AIDS	+ 4.7	—
Sirloin steak	+ 5.0	+ 8.0	FRESH FRUITS & VEGETABLES	+ 8.8	+ 7.4	Other noncarbonated drinks	+ 4.2	+ 2.0	Prescriptions	+ 8.7	+ 7.8
Ground beef	+ 5.0	+ 3.2	Apples	+ 4.7	+ 2.8	Roasted coffee	+ 6.9	- 0.6	Hair products	+ 5.0	+ 2.5
Chuck roast	+ 8.0	+ 4.3	Bananas	+10.2	+14.3	Freeze-dried instant coffee	+ 0.6	- 2.3	Dental & shaving products	+ 4.2	+ 3.9
PORK	+ 6.6	- 3.9	Oranges and tangerines	+ 1.7	+ 6.4	ALCOHOLIC BEVERAGES	+ 4.1	+ 3.9	Cosmetic, bath & nail products, manicure & eye makeup	+ 3.8	+ 3.4
Chops	+ 3.3	- 1.3	Potatoes	+28.9	+ 3.0	Beer & ale	+ 3.3	+ 3.2	Implements	+ 4.7	+ 3.0
Bacon	- 5.1	-12.0	Lettuce	+ 2.0	+ 8.5	Distilled spirits	+ 3.3	+ 1.5	Other toilet goods	—	—
Sausage & other pork	+ 1.3	- 2.2	Tomatoes	+10.6	+ 5.5	Wine	+ 2.9	+ 2.0	GENERAL MERCHANDISE	—	—
OTHER MEATS	+2.8	+2.6	PROCESSED FRUITS	+ 3.4	+18.3	OTHER PREPARED FOODS	+ 6.4	+ 3.7	Newspapers	+ 4.4	+ 4.5
Frankfurters	+ 3.0	+ 2.9	Frozen fruit & fruit juices	+ 3.2	+12.0	Canned, packaged soup	+ 5.7	+ 4.0	Magazines, books	+ 6.7	+ 3.6
Bologna, liverwurst, salami	+ 3.4	+ 2.9	Other fruit juices & frozen fruit	+ 3.1	- 7.1	Frozen prepared foods	+ 6.3	+ 3.8	Photo supplies	+ 4.6	+ 4.7
Lamb & other organ meats	+ 3.5	+ 4.3	Canned & dried fruits	+ 3.6	+ 3.6	PROCESSED VEGETABLES	+18.7	- 4.8	Motor oil, coolant & other products	+ 9.5	+ 3.5
POULTRY	+ 9.9	+ 7.3	Frozen vegetables	+ 8.4	+ 5.0	Cut corn & canned beans except lima	+13.3	+ 7.5			
Fresh whole chicken	+ 9.6	+10.3	Other processed vegetables	+11.9	+ 4.5						
Fresh & frozen chicken parts	+10.1	+ 7.7									
Other poultry	+ 9.9	+ 0.4									

*Source: Bureau of Labor Statistics, Consumer Price Index, January 1990

SUMMARY

	1989						1989 Supermarket Performance			
	1	2	3	4	5		6	7	8	9
(add 000 to all dollar figures)	Value of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores	% of Total Store	% Gro. to Total	Percentage Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin
PERISHABLES	\$220,843,063	\$150,818,436	45.74	68	4.7	5.6	\$122,394,209	47.77	\$30,843,341	25.2
Baked Goods	19,495,017	12,509,874	3.79	64	3.1	3.9	9,196,594	3.59	1,968,071	21.4
Instore Bakery	6,640,000	6,640,000	2.01	100	8.7	8.7	6,640,000	2.59	3,532,480	53.2
Dairy	40,262,991	22,485,971	6.82	56	6.4	10.6	15,895,760	6.20	3,401,693	21.4
Frozen Foods	21,381,562	15,906,778	4.82	74	4.9	4.9	13,805,826	5.39		
Fresh & Cured Meat, Fish & Poultry	78,528,514	53,113,797	16.20	68	1.9	2.0	42,500,416	16.58	9,392,592	22.1
Service Deli	11,130,000	11,130,000	3.37	100	16.5	16.5	11,130,000	4.34	4,808,160	43.2
Produce	43,404,979	29,032,016	8.80	67	7.9	8.4	23,225,613	9.06	8,012,836	34.5
DRY GROCERY (FOOD)	141,474,355	94,091,939	28.50	66	4.4	5.9	69,198,669	27.00	13,908,932	20.1
Baby Foods	2,683,085	2,343,311	0.70	87	10.3	10.6	1,691,587	0.66	1,133,363	6.7
Baking Needs	2,852,499	2,571,225	0.78	90	2.2	2.2	1,877,725	0.73	379,300	20.2
Beer, Wine & Liquor	39,458,355	18,756,523	5.69	47	1.2	5.3	12,702,782	4.96	2,286,501	18.0
Breakfast Foods	7,796,987	7,651,655	2.32	98	12.6	12.9	5,786,315	2.26	821,657	14.2
Candy & Chewing Gum	10,431,520	3,595,097	1.09	34	3.8	3.6	2,786,403	1.09	604,649	21.7
Canned Fish & Canned Seafood	2,300,446	2,049,709	0.62	93	3.6	3.7	1,570,849	0.61	208,923	13.3
Canned Fruit	2,010,013	1,741,370	0.53	86	3.1	3.3	1,264,201	0.49	285,709	22.6
Canned & Bottled Juices & Drinks	4,960,111	4,238,218	1.28	85	7.7	7.6	2,939,078	1.15	711,257	24.2
Canned Meat & Specialty Foods	1,830,881	1,412,575	0.43	77	-3.5	-3.2	996,703	0.39	232,232	23.3
Canned Milk	416,454	375,264	0.11	90	1.2	1.4	285,201	0.11	248,125	8.7
Canned Prepared Foods	2,104,079	1,960,765	0.59	93	8.8	9.0	1,549,004	0.60	382,604	24.7
Canned & Dry Soups	2,875,884	2,744,840	0.83	95	6.5	6.7	2,107,428	0.82	366,692	17.4
Canned Vegetables	3,750,397	3,323,429	1.01	88	8.6	8.8	2,578,736	1.00	549,271	21.3
Condiments, Dressings, Spreads, Relishes	7,908,916	6,366,358	1.93	80	6.1	6.2	4,945,142	1.93	1,078,041	21.8
Desserts	661,218	579,603	0.17	88	2.7	2.9	445,306	0.17	90,842	20.4
Dried Foods	3,895,562	3,161,888	0.96	81	9.6	9.3	2,356,845	0.92	511,435	21.7
Fats & Shortenings	1,903,887	1,581,407	0.48	83	3.4	4.2	1,210,969	0.47	213,130	17.6
Jams, Jellies, Preserves	2,683,755	2,179,713	0.66	81	8.0	8.3	1,498,490	0.58	274,224	18.3
Pasta	1,817,305	1,309,170	0.40	72	12.5	12.2	981,878	0.38	251,361	25.6
Prepared Drinks	9,360,528	7,394,147	2.24	79	0.0	-0.1	5,449,254	2.12	1,117,097	20.5
Snacks	9,368,718	6,064,964	1.84	65	8.5	8.0	3,883,432	1.51	1,001,925	25.8
Soft Drinks	17,531,406	10,331,071	3.13	59	3.9	3.8	8,537,094	3.33	1,733,030	20.3
Sweeteners, Flavors	2,872,349	2,359,637	0.71	82	7.8	7.6	1,754,247	0.68	259,628	14.8
TOTAL FOODS	\$362,317,418	\$244,910,375	74.30	67	4.6	5.7	\$191,592,878	74.77	\$46,940,255	24.5

HOW TO USE THESE CHARTS

- This column shows total retail sales of a product line or category through all outlets. The value of a product is computed as if the product were sold at grocery store prices. Example: Total Retail Sales of Baked Goods = \$19,495,017,000.
- This column shows the amount actually spent in grocery stores for each product line or category. Grocery stores are defined as retail outlets doing a major portion of their business in dry groceries. Example: Total Grocery Sales of Baked Goods = \$12,509,874,000.
- This column shows the percentage of the total grocery store volume that is contributed by each product line or category. Example: 3.79% of the Total Grocery Store Sales come from the sale of Baked Goods.
- This column shows the share of the total sales of a product line or category that is sold through grocery stores. Example: 64% of the Total Sales of Baked Goods come from grocery sales.
- These columns show the year-to-year increase or decrease in total and grocery sales for each product line or category. Example: Total Sales of Baked Goods rose 3.1% and Grocery Store Sales of Baked Goods rose 3.9%.

- This column shows a breakout from column 2 of the amount of sales of a product line or category coming from supermarkets. Supermarkets are defined as grocery stores with annual sales of over \$2 million. Example: Supermarket Sales of Baked Goods were \$9,196,594,000 in 1989.
- This column shows the percentage of the total supermarket volume that is contributed by each product line or category. Example: 3.59% of the Total Supermarket Sales come from the sale of Baked Goods.
- This column shows the difference between the cost of an item and its retail price. Example: There was a difference of \$1,968,071,000 between the cost to supermarkets for Baked Goods and their retail sales in 1989.
- This column takes the dollar margin from column 8 and expresses it as a percentage. Example: There was a difference of 21.4% between the cost of Baked Goods and their supermarket retail in 1989.

— Not available

ND — No data available

SUMMARY

	1989						1989 Supermarket Performance			
	1	2	3	4	5		6	7	8	9
(add 000 to all dollar figures)	Value of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores	% of Total Store	% Gro. to Total	Percentage Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin
DRY GROCERY (NONFOOD)	69,454,889	44,732,883	13.56	64	7.1	6.5	33,277,831	12.9	5,757,065	17.3
Home Canning Supplies	116,153	93,427	0.03	80	2.1	1.9	77,544	0.03	17,990	23.2
Laundry Supplies	1,757,757	1,623,675	0.49	92	4.3	4.5	1,176,023	0.46	156,411	13.3
Soaps & Detergents	6,357,355	5,813,194	1.76	91	4.7	5.0	4,446,220	1.73	622,471	14.0
Other Cleaners, Cleansers & Supplies	3,565,967	2,301,262	0.70	64	5.1	5.6	1,632,290	0.64	450,512	27.6
Paper, Plastic, Foil Products	15,338,567	11,795,029	3.58	77	8.6	7.5	8,990,685	3.51	1,402,547	15.6
Pesticides & Rodent Control	585,040	343,703	0.10	59	14.9	11.6	261,214	0.10	69,222	26.5
Waxes & Polishes	383,122	298,217	0.09	78	-1.4	-1.2	280,043	0.11	65,250	23.3
Other Household Supplies	2,830,482	1,323,812	0.40	46	3.2	1.6	741,290	0.29	243,884	32.9
Pet Foods	6,790,864	6,197,243	1.88	91	6.6	6.1	4,474,607	1.74	836,751	18.7
Tobacco Products	31,729,582	14,943,321	4.53	47	7.7	7.3	11,197,915	4.37	1,746,875	15.6
HEALTH & BEAUTY AIDS (NON-Rx)	36,539,397	13,119,295	3.98	34	6.4	5.9	10,563,552	4.12	2,767,651	26.2
Dieting Aids	555,129	308,023	0.09	55	18.9	39.2	169,413	0.06	40,998	24.2
Cosmetics	5,498,438	704,413	0.21	13	7.0	4.1	524,647	0.20	167,887	32.0
Family Planning	644,326	88,822	0.02	14	12.4	14.5	80,235	0.03	34,260	42.7
Feminine Hygiene Products	1,816,636	1,059,600	0.32	58	6.2	6.9	925,297	0.36	215,594	23.3
Hair Products	4,641,352	1,808,569	0.55	39	7.3	6.5	1,656,812	0.64	500,357	30.2
Health Aids	1,204,223	553,853	0.17	46	3.6	3.1	455,837	0.18	135,383	29.7
Nail Care Products	629,470	119,478	0.03	19	7.2	6.3	94,388	0.04	31,148	33.0
Oral Hygiene Products	2,826,131	1,540,262	0.47	54	4.4	3.8	1,335,693	0.52	235,082	17.6
Packaged Medications	8,899,583	3,165,791	0.96	35	5.8	8.6	2,597,645	1.01	615,642	23.7
Personal Cleanliness Products	208,472	48,188	0.01	23	-2.8	-2.1	42,915	0.01	11,029	25.7
Personal Deodorants, Antiperspirants	1,279,623	708,835	0.21	55	3.0	3.3	630,863	0.24	143,206	22.7
Shaving Products	1,983,475	662,060	0.20	33	6.6	4.7	525,178	0.20	151,776	28.9
Skin Care Products	2,181,910	539,210	0.16	25	12.2	9.6	428,256	0.17	110,062	25.7
Vitamins & Tonics	1,635,260	631,512	0.19	38	1.8	2.3	517,840	0.20	176,583	34.1
Other Health & Beauty Aids	2,535,369	1,180,679	0.36	46	5.7	6.2	578,533	0.22	153,311	26.5
PRESCRIPTIONS	25,810,200	2,693,707	0.82	10	10.3	26.3	2,693,707	1.05	—	—
GENERAL MERCHANDISE	ND	12,305,465	3.73	—	—	7.4	10,706,031	4.18	3,329,576	31.1
Audio & Video	10,314,847	990,221	0.30	9	8.0	11.3	604,035	0.23	228,929	37.9
Auto Supplies	2,235,066	363,578	0.11	16	2.3	-6.8	319,949	0.12	66,869	20.9
Electrical Appliances	ND	261,007	0.08	—	—	14.8	242,737	0.09	75,977	31.3
Flashlights & Batteries	3,400,141	606,734	0.18	18	7.9	3.1	539,993	0.21	213,837	39.6
Greeting Cards	4,661,834	608,959	0.18	13.0	5.0	8.9	590,690	0.23	297,117	50.3
Hardware	ND	260,325	0.08	—	—	6.1	252,515	0.10	91,410	36.2
Housewares	5,236,588	1,256,145	0.38	NC	5.8	4.7	1,865,539	0.73	792,854	42.5
Other Housewares	ND	667,091	0.20	—	—	6.4	—	—	—	—
Periodicals	11,610,011	2,018,068	0.61	17	6.0	9.5	1,634,635	0.64	488,756	29.9
Other Merchandise	4,799,127	585,857	0.18	NC	10.6	10.1	451,156	0.17	197,155	43.7
Pet Accessories	1,676,609	444,548	0.13	26	3.1	1.9	431,212	0.17	163,429	37.9
Photo Supplies & Processing	9,337,241	1,362,526	0.41	14	9.4	14.7	1,253,524	0.49	292,071	23.3
Stationery	795,516	157,383	0.05	20	9.8	9.0	133,776	0.05	46,554	34.8
Toys	13,988,878	297,728	0.09	2	3.6	4.0	238,182	0.09	94,082	39.5
Underwear & Hosiery	6,174,462	1,069,665	0.32	NC	3.8	4.2	837,300	0.33	294,730	35.2
Writing Implements	1,007,823	115,870	0.03	11	4.3	4.2	83,426	0.03	34,288	41.1
Other General Merchandise	ND	1,239,760	0.37	—	—	NC	1,227,362	0.48	375,573	30.6
TOTAL FOODS & NON-FOOD*	ND	\$317,758,845	96.38	—	—	6.0	\$248,833,999	97.11	\$58,794,547	23.7
SALES NCE	ND	\$11,929,155	3.62	—	—	NC	\$7,396,076	2.89	\$1,375,670	18.6
GRAND TOTAL*	ND	\$329,688,000	100.00	—	—	6.1	\$256,230,075	100.00	\$60,170,217	23.5

— Not available ND — No data available NCE — Not classified elsewhere NC — Not comparable

* Supermarket margins based on totals excluding Prescriptions.

PERISHABLES

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total	Percentage ³ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total
	Total ¹	Grocery ¹												
Baked Goods	\$19,495,017	\$12,509,674	3.79	64	3.1	3.9	\$9,196,594	5.9	\$1,968,071	21.4	\$18,922,384	\$12,042,070	3.88	64
Bread & Rolls ⁴	10,430,409	6,526,573	1.98	63	0.2	1.4	4,894,930	1.91	1,008,355	20.6	10,417,336	6,439,299	2.08	62
Rolls, Bread Type	1,515,908	435,390	0.13	29	5.0	4.6					1,443,722	416,243	0.14	29
Variety Bread	1,968,076	970,121	0.29	49	13.0	13.4					1,942,819	855,486	0.26	44
White Bread	6,946,425	5,121,062	1.55	74	-1.2	-0.9					7,030,795	5,167,570	1.67	73
Crackers, Cookies, Biscuits	5,403,776	4,988,205	1.51	92	6.5	6.8	3,591,508	1.40	829,638	23.1	5,073,968	4,670,604	1.51	92
Bread & Cracker Crumbs	79,394	64,105	0.02	81	7.1	8.2	53,207	0.02	11,280	21.2	74,131	59,247	0.02	80
Croutons	48,528	32,307	0.01	67	10.6	11.3	28,430	0.01	6,055	21.3	43,877	29,027	0.01	66
Rice & Grain Cakes	143,709	79,556	0.02	55	7.1	7.8	46,938	0.02	9,810	20.9	134,182	73,800	0.03	55
Sweet Goods	3,389,201	819,128	0.25	24	6.7	6.4	581,581	0.22	129,692	22.3	3,178,890	770,093	0.25	24
Cakes & Pastries	2,286,105	493,565	0.15	22	6.3	5.4					2,150,616	468,278	0.16	22
Doughnuts	609,050	219,460	0.07	36	8.0	9.0					563,935	201,309	0.07	36
Pies	494,046	106,103	0.03	21	6.4	5.6					464,329	100,476	0.04	22
Instore Bakery	6,640,000	6,640,000	2.01	100	8.7	8.7	6,640,000	2.59	3,532,480	53.2	6,110,000	6,110,000	1.97	100
Dairy	40,262,991	22,485,971	6.82	56	6.4	10.6	15,895,760	6.20	3,401,693	21.4	37,863,453*	20,340,780*	6.77	54
Cheese	7,210,936	5,279,961	1.60	73	8.7	8.9	4,228,901	1.65	1,099,514	26.0	6,634,028	4,851,669	1.57	73
Cottage & Pot Cheese	635,818	457,615	0.14	72	-4.4	-4.0	329,483	0.13	52,058	15.8	665,082	476,682	0.16	72
Cream Cheese	688,779	510,659	0.15	74	5.9	6.1	408,527	0.16	80,071	19.6	650,405	481,390	0.16	74
Natural Cheese ⁵	3,569,009	2,077,098	0.63	58	9.4	9.1	1,703,220	0.66	456,463	26.8	3,262,348	1,903,848	0.62	58
Processed Cheese ⁶	2,317,330	2,234,589	0.68	96	12.7	12.3	1,787,671	0.70	495,185	27.7	2,056,193	1,989,839	0.65	97
Eggs	5,037,061	1,618,067	0.49	32	-1.5	-1.8	1,019,382	0.40	181,450	17.8	5,113,768	1,647,726	0.54	32
Milk & Milk Products	19,131,866	7,668,496	2.32	40	1.5	3.3	4,945,480	1.93	756,658	15.3	18,852,764	7,428,484	2.39	39
Butter	1,526,674	789,325	0.24	52	-9.1	-8.3	623,567	0.24	120,972	19.4	1,679,509	860,769	0.28	51
Fresh Cream	411,987	228,261	0.07	55	1.5	1.0	173,479	0.07	37,645	21.7	405,899	226,001	0.08	56
Fresh Milk	17,121,909	6,584,816	2.00	38	2.6	4.9					16,697,663	6,277,232	2.02	36
Home Consumption	10,974,018	6,584,816	2.00	60	4.7	4.9	4,148,434	1.62	589,078	14.2	10,481,393	6,277,232	2.02	60
Other Milk	6,147,891				-1.1						6,216,270			
Refrigerated Toppings	71,296	66,094	0.03	93	2.3	2.5	52,875	0.02	11,315	21.4	69,693	64,482	0.03	93
Yogurt	2,606,634	2,222,622	0.67	85	7.2	6.8	1,578,062	0.61	400,828	25.4	2,431,562	20,811,107	0.67	86
Margarine	2,177,214	1,848,609	0.56	85	12.1	12.6	1,349,485	0.52	302,285	22.4	1,942,207	1,641,749	0.53	84
Refrigerated Juices/Drinks	2,726,232	2,646,669	0.80	97	9.9	10.2	1,826,202	0.71	443,767	24.3	2,482,287	2,402,367	0.78	97
Apple Juice	68,059	66,085	0.03	97	-9.4	-8.3					75,121	72,067	0.03	96
Grapefruit Juice	160,107	149,750	0.05	93	-0.8	-0.3					161,399	150,201	0.05	93
Orange Flavored Drinks	147,905	139,411	0.05	94	8.5	8.2					136,318	128,846	0.05	94
Orange Juice	2,261,533	2,205,616	0.67	97	11.6	11.9					2,026,464	1,971,060	0.64	97
Other Fruit Juices & Drinks	88,629	85,807	0.04	97	6.8	7.0					82,985	80,193	0.03	97
Refrigerated Mexican Foods	166,668	150,001	0.04	90	7.6	7.8	120,000	0.04	26,520	22.1	154,896	139,147	0.05	90
Refrigerated Dough Products	796,211	765,803	0.23	96	8.9	9.1	597,326	0.23	170,238	28.5	731,140	701,928	0.23	96
Refrigerated Dips	93,784	83,630	0.02	89	3.1	3.0	66,904	0.02	14,384	21.5	90,964	81,194	0.03	89
Refrigerated Puddings	86,651	76,979	0.01	89	26.1	25.3	61,583	0.02	13,179	21.4	68,716	61,436	0.02	89
Refrigerated Fish Appetizers	32,525	30,106	0.03	93	4.0	3.6	24,085	0.01	7,298	30.3	31,274	29,060	0.01	93
Refrigerated Pickles/Relishes	180,863	81,254	0.02	45	6.4	5.6	65,816	0.02	20,798	31.6	169,984	76,945	0.03	45
Refrigerated Salads	16,346	13,774	0.00	84	10.2	9.9	12,534	0.00	4,199	33.5	14,833	12,532	0.01	84
Frozen Foods	21,381,562	15,906,778	4.82	74	4.9	4.9	13,805,826	5.39			20,393,589*	15,167,001*	4.84	75
Frozen Baked Goods	1,442,044	1,322,695	0.40	92	5.4	5.7	1,149,178	0.45	302,234	26.3	1,368,565	1,251,880	0.41	91
Frozen Bagels	189,626	184,363	0.06	97	8.9	9.3	158,552	0.06	44,553	28.1	174,129	168,676	0.06	97
Frozen Breads & Rolls	411,337	370,219	0.11	90	3.2	3.9	314,686	0.12	88,112	28.0	398,582	356,322	0.12	89

WHAT THE NUMBERS MEAN

1 All consumption—all retail sales, not including products sold through restaurants and institutions that have been altered by the seller. Excluding those portions of a commodity which are used commercially as an ingredient in another product.

2 Refers to grocery stores and includes supermarkets. Excluded from this column (but included in the first column) are sales by such specialty food stores as delicatessens, dairy stores, bakeries, meat markets, confectionery stores, fruit and vegetable markets, egg dealers, drug stores, and mass merchandisers.

3 Decreases are shown by minus signs. Other figures represent increases. Comparisons to 1988 are based solely on the item categories which were reported in both the 1988 and 1989 studies.

4 Includes bagels, onion rolls, etc.

5 Includes cheddar, colby, brick, foreign types.

6 Includes cheese food and cheese spreads.

— Not applicable

* Represents a revision of the 1988 figures, due to the inclusion of new items within the categories.

PERISHABLES

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ¹ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
					Total ¹	Grocery ²								
Frozen Cakes & Pastries	431,182	401,636	0.12	93	1.1	-1.0	353,440	0.14	89,420	25.3	435,978	405,693	0.14	93
Frozen Pies	409,899	366,477	0.11	89	13.9	14.1	322,500	0.12	81,915	25.4	359,876	321,189	0.11	89
Frozen Breakfast Entrees	700,984	671,875	0.20	96	22.8	23.0	631,563	0.24	152,470	24.3	571,217	546,279	0.18	96
French Toast/Pancakes	91,469	87,774	0.03	96	6.1	6.3					86,210	82,572	0.03	96
Waffles	385,059	365,971	0.11	95	29.3	29.6					297,803	282,385	0.10	95
Other Breakfast	224,456	218,130	0.07	97	19.9	20.3					187,204	181,322	0.06	97
Ice Cream & Yogurt	5,698,288	2,059,201	0.62	36	5.4	5.6	1,379,664	0.54	264,895	19.2	5,409,740*	1,950,188*	0.59	36
Bulk Ice Cream	792,070	—	—	—	3.4	—					766,025	—	—	—
Packaged Ice Cream	2,789,712	1,856,214	0.56	66	2.4	2.1					2,724,328	1,818,035	0.59	42
Specialty Ice Cream	1,633,205				1.8						1,604,327			
Frozen Yogurt ¹	483,301	202,987	0.06	42	53.4	53.6					315,060	132,153	0.05	42
Frozen Coffee Creamer	50,553	46,485	0.01	92	5.0	5.3	33,934	0.01	9,434	27.8	48,146	44,145	0.02	92
Frozen Toppings	201,591	189,377	0.06	94	5.2	5.6	162,864	0.06	39,902	24.5	191,626	179,334	0.06	94
Frozen Meat, Fish, Poultry	3,760,465	3,193,635	0.97	85	3.6	4.1	2,842,789	1.11	759,025	26.7	3,631,293	3,068,759	0.99	84
Fish & Other Seafood	940,129	704,490	0.21	75	-2.1	-1.7	619,382	0.24	180,859	29.2	960,476	716,917	0.24	75
Frozen Fish Sticks	109,086	87,259	0.03	80	3.4	3.9	78,533	0.03	20,261	25.8	105,499	83,984	0.03	80
Frozen Shrimp	311,013	231,471	0.07	74	0.0	-0.2	201,380	0.08	54,171	26.9	311,013	231,935	0.08	74
Other Frozen Fish Seafood	520,030	385,760	0.10	74	-4.4	-3.8	339,469	0.13	106,932	31.5	543,964	400,998	0.13	74
Frozen Meat	414,355	201,704	0.06	49	1.7	1.9	187,585	0.07	52,524	28.0	407,429	197,943	0.07	48
Frozen Poultry	2,405,981	2,287,441	0.69	95	6.3	6.2	2,035,822	0.79	531,349	26.1	2,263,388	2,153,899	0.70	95
Frozen Prepared Foods	4,453,390	4,335,296	1.31	97	5.5	5.0	3,620,035	1.41	821,748	22.7	4,222,282	4,129,296	1.33	98
Frozen Dinners/Entrees	1,991,754	1,984,135	0.60	99	4.6	4.3	1,746,039	0.68	382,382	21.9	1,904,163	1,902,335	0.62	99
Frozen Meat Pies	263,600	247,442	0.07	94	9.7	10.3	232,595	0.09	55,590	23.9	240,292	224,335	0.08	93
Frozen Pizza	1,016,148	1,010,572	0.30	99	-4.0	-4.0	889,303	0.35	203,650	22.9	1,058,487	1,052,679	0.34	99
Frozen Poultry Pies	269,132	252,271	0.08	94	10.9	11.3	See	Meat	Pies		242,680	226,659	0.08	93
Frozen Oriental	146,929	144,814	0.04	99	1.6	1.7	128,884	0.05	34,154	26.5	144,615	142,393	0.05	98
Frozen Mexican	436,544	427,343	0.13	98	7.2	7.3	388,882	0.15	92,165	23.7	407,224	398,269	0.13	98
Frozen Sandwiches	285,386	226,052	0.07	79	50.8	52.6	196,665	0.07	50,543	25.7	189,248	148,134	0.05	78
Other Frozen Prepared Foods	43,897	42,667	0.02	97	23.4	23.7	37,667	0.01	10,132	26.9	35,573	34,492	0.02	97
Frozen Fruits*	138,275	129,349	0.04	93	4.9	4.9	112,534	0.04	31,847	28.3	131,909	123,318	0.04	93
Blueberries	18,688	17,069	0.00	91	8.1	8.2					17,288	15,775	0.01	91
Raspberries	22,034	20,517	0.01	93	10.8	10.9					19,886	18,500	0.01	33
Strawberries	58,281	55,554	0.02	95	2.1	2.2					57,082	54,358	0.02	95
Other Frozen Fruits	39,272	36,209	0.01	92	4.3	4.4					37,653	34,683	0.02	92
Frozen Fruit Juice Concentrates	1,494,335	1,370,345	0.41	92	-3.3	3.2	1,565,147	0.61	355,288	22.7	1,545,573	1,415,677	0.46	92
Apple Juice	130,529	120,599	0.04	92	-4.0	-3.9					135,968	125,493	0.05	92
Grape Juice	113,064	103,298	0.03	91	4.5	4.6	See	Other			108,195	98,755	0.04	91
Grapefruit Juice	19,246	16,744	0.00	87	-2.2	-2.3					19,679	17,138	0.01	87
Orange Juice	1,182,148	1,081,779	0.33	91	-4.3	-4.2	1,016,872	0.39	230,830	22.7	1,235,264	1,129,206	0.37	91
Other Fruit Concentrates	49,348	47,925	0.01	97	6.2	6.3	259,709	0.10	59,733	23.0	46,467	45,085	0.02	97
Frozen Fruit Drinks	146,858	135,699	0.04	92	-0.5	-0.5	118,058	0.04	32,348	27.4	147,735	136,476	0.05	92
Lemonade Bases	55,672	51,729	0.01	93	-3.1	-3.1					57,453	53,384	0.02	93
Regular Orange	13,645	12,324	0.00	90	1.9	1.9					13,391	12,094	0.01	90
Synthetic Orange	28,280	25,581	0.01	90	-2.7	-2.8					29,065	26,318	0.01	90
Other Fruit Drinks	49,261	46,065	0.01	93	3.0	3.1					47,826	44,680	0.02	93
Frozen Vegetables	3,294,779	2,452,821	0.74	74	5.5	5.7	2,190,060	0.85	575,986	26.3	3,125,503	2,321,649	0.75	74
Asparagus	68,516	47,890	0.01	70	1.7	1.8					67,371	47,053	0.02	70
Broccoli	156,506	110,720	0.03	71	3.1	3.3					151,800	107,183	0.04	71
Cauliflower	31,823	22,582	0.01	71	-4.5	-4.3					33,322	23,597	0.01	71
Corn	208,591	144,875	0.04	69	-2.0	-1.6					212,848	147,231	0.05	69
French Fried Potatoes	973,449	790,702	0.24	81	5.4	5.6	664,190	0.26	175,346	26.4	923,576	748,771	0.25	81
Green Beans	112,456	83,178	0.02	74	9.8	10.1					102,419	75,548	0.03	74
Green Peas	189,891	134,440	0.04	71	13.3	13.6					167,600	118,345	0.04	71
Lima Beans	56,474	37,143	0.01	66	-3.9	-3.8					58,766	38,610	0.02	66
Onion Products	56,745	40,327	0.01	71	6.0	6.2					53,533	37,973	0.02	71
Other Potato Products	112,573	81,983	0.02	73	6.3	6.6	72,145	0.03	19,623	27.2	105,901	76,907	0.03	73
Spinach	85,100	60,519	0.02	71	8.2	8.3					78,651	55,881	0.02	71
Vegetable Combinations & Sauces	895,447	651,503	0.20	73	4.6	4.8					856,068	621,663	0.21	73
Other Frozen Vegetables	347,208	246,959	0.07	71	10.7	10.8	1,453,725	0.57	380,876	26.2	313,648	222,887	0.08	71
Fresh & Cured Meat, Fish & Poultry	78,528,514	53,113,797	16.20	68	1.9	2.0	42,500,416	16.58	9,392,592	22.1	77,097,529	52,113,797	16.70	67
Fresh Fish & Other Seafood	4,164,395	3,629,602	1.10	87	4.6	4.7	2,903,682	1.13	871,105	30.6	3,981,257	3,466,669	1.12	87
Fresh Meat	43,125,136	26,807,334	8.13	62	-1.0	-0.9	21,445,867	8.37	4,567,970	21.3	43,586,518	27,074,087	8.72	62
Beef	34,630,173	20,976,046	6.36	61	-1.5	-1.6	16,780,837	6.55			35,157,536	21,317,120	6.86	61
Lamb	1,321,167	1,175,114	0.36	89	7.4	7.6	940,091	0.36			1,230,137	1,092,113	0.36	89

7 Grocery store sales are mainly packaged ice cream and specialties, and a negligible amount of bulk ice cream.

8 Packaged products only, excludes soft-serve frozen yogurt.

9 Consumer size packages for home use.

— Not applicable

* Represents a revision of the 1988 figures, due to the inclusion of new items within the categories.

PERISHABLES

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ³ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
					Total ¹	Grocery ²								
Pork	6,330,876	4,125,939	1.25	65	0.8	0.9	3,300,751	1.29			6,280,631	4,089,137	1.32	65
Veal	842,920	530,235	0.16	63	-8.2	-7.9	424,188	0.16			918,214	575,717	0.19	63
Fresh Poultry	14,199,246	9,121,990	2.77	64	10.8	10.4	7,297,592	2.85	1,758,720	24.1	12,815,204	8,262,672	2.66	64
Packaged Meats	17,039,737	13,566,594	4.10	79	2.0	2.0	10,853,275	4.23	2,127,242	19.6	16,714,550	13,310,369	4.29	80
Cured Ham & Picnics	2,586,629	2,066,696	0.63	80	1.6	1.8					2,545,895	2,030,153	0.66	80
Frankfurters	2,159,038	1,680,795	0.50	78	0.4	0.4					2,150,436	1,674,099	0.54	78
Packaged Bacon	2,561,524	2,102,017	0.64	82	2.7	2.3					2,494,181	2,054,758	0.67	82
Packaged Cold Cuts	4,469,786	3,556,513	1.08	79	1.7	2.0					4,395,070	3,486,777	1.13	79
Sausages (uncooked)	1,550,645	1,217,071	0.37	78	3.6	3.0					1,496,762	1,181,622	0.39	79
Other Sausage Products	3,712,115	2,943,502	0.89	79	2.2	2.1					3,632,206	2,882,960	0.93	79
Service Deli	11,130,000	11,130,000	3.37	100	16.5	16.5	11,130,000	4.34	4,606,160	43.2	9,560,000	9,560,000	3.06	100
Produce	43,404,979	29,032,016	8.80	67	7.9	8.4	23,225,613	9.06	8,012,836	34.5	40,233,486	26,801,587	8.63	67
Fresh Vegetables	27,537,553	16,557,205	5.02	60	7.9	8.0					25,527,284	15,338,455	4.94	60
Carrots	627,348	447,214	0.13	71	14.7	15.6					546,947	386,863	0.13	71
Celery	840,588	551,203	0.17	65	8.4	8.5					775,450	508,021	0.17	65
Corn	655,283	366,765	0.11	56	6.3	6.7					616,447	343,735	0.12	56
Lettuce	2,826,037	1,851,983	0.56	65	-0.9	-0.8					2,851,701	1,866,918	0.61	65
Mushrooms	674,330	467,950	0.14	69	5.0	6.3					642,219	440,216	0.15	68
Onions	1,220,884	703,825	0.21	57	12.6	13.1					1,084,266	622,303	0.21	57
Potatoes	3,250,389	1,972,823	0.60	61	11.3	11.8					2,920,385	1,764,600	0.57	60
Tomatoes	3,122,453	1,831,202	0.55	58	10.8	11.2					2,818,098	1,646,764	0.53	58
Other Fresh Vegetables	14,320,241	8,364,240	2.54	58	7.9	7.8					13,271,771	7,759,035	2.50	58
Fresh Fruits	14,710,187	12,142,497	3.68	82	8.0	8.8					13,627,955	11,162,498	3.60	82
Apples	3,608,148	3,255,919	0.99	90	11.2	11.8					3,244,737	2,912,271	0.94	90
Bananas	2,237,746	1,813,138	0.55	81	10.8	11.3					2,019,626	1,629,028	0.53	81
Citrus Fruits	2,672,079	2,235,717	0.68	84	9.6	10.3					2,438,028	2,026,942	0.66	83
Other Fresh Fruits	6,192,214	4,837,753	1.47	78	4.5	5.3					5,925,564	4,594,257	1.48	77
Floral	815,058	120,540	0.04	15	6.8	15.7					763,163	104,183	0.04	14
Wild Bird Seed ¹⁰	342,181	211,774	0.06	62	8.6	7.8					315,084	196,451	0.07	62
Total Perishables	\$220,843,063	\$150,818,436	45.74	68	4.7	5.6	\$122,394,209	47.77	\$30,843,341	25.2	\$211,035,411*	\$142,949,799*	45.90	68

DRY GROCERY—FOOD

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ³ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
					Total ¹	Grocery ²								
Baby Foods	\$2,683,085	\$2,343,311	0.70	87	10.3	10.6	\$1,691,587	0.66	\$1,133,363	6.7	\$2,433,338	\$2,119,016	0.69	87
Desserts	82,724	68,689	0.02	83	7.4	7.2	48,769	0.02	35,114	7.2	77,024	64,076	0.03	83
Fruits & Juices	452,764	412,427	0.12	91	9.0	9.1	292,823	0.11	243,043	8.3	415,380	378,027	0.13	91
Meat & Combinations	318,137	275,550	0.08	86	6.1	6.8	195,641	0.07	166,295	8.5	299,846	258,006	0.09	86
Vegetables	140,407	119,809	0.03	85	11.9	12.2	85,064	0.03	80,811	9.5	125,475	106,782	0.04	85
Infant Cereals	87,808	75,013	0.02	87	17.4	17.5	53,259	0.02	5,645	10.6	74,974	63,841	0.03	85
Infant Formulas	1,601,245	1,391,823	0.42 ¹	87	11.2	11.5	1,016,031	0.39	528,336	5.2	1,440,639	1,248,284	0.41	87
Hypoallergenic Formulas	397,469	346,178	0.10	87	7.8	8.3					368,710	319,647	0.11	87
Routine Formulas	1,203,776	1,045,645	0.32	87	12.3	12.6					1,071,929	928,637	0.33	87
Baking Needs	2,852,499	2,571,225	0.78	90	2.2	2.2	1,877,725	0.73	379,300	20.2	2,793,518	2,520,736	0.82	90
Baking Chocolate & Bits	392,273	374,108	0.11	95	3.4	3.4	273,099	0.10	57,078	20.9	379,374	361,807	0.12	95
Baking Powder	23,244	20,905	0.01	90	5.9	5.8	15,261	0.00	2,945	19.3	21,949	19,759	0.01	90
Baking Soda	16,097	13,373	0.01	83	6.2	6.3	9,762	0.00	2,196	22.5	15,157	12,580	0.01	83
Yeast	51,825	49,332	0.01	95	4.9	5.0	36,506	0.01	6,900	18.9	49,404	46,983	0.02	95
Baking Nuts	350,671	278,650	0.08	79	0.1	0.3	203,415	0.08	59,194	29.1	350,321	278,091	0.09	79
Shelled Walnuts	236,203	186,883	0.05	79	0.1	0.3					235,967	186,324	0.06	79
Other Baking Nuts	114,468	91,767	0.03	80	0.1	0.0					114,354	91,767	0.03	80
Flour	2,018,389	1,834,857	0.55	91	1.9	1.9	1,339,682	0.52	254,539	19.0	1,977,313	1,801,516	0.58	91
Cake Flour	12,962	11,785	0.01	91	14.0	14.2	8,839	0.00	13,148	14.8	11,370	10,320	0.01	91
Corn Meal	163,369	136,835	0.04	84	12.6	13.1	99,890	0.04	21,626	21.7	145,088	120,986	0.04	83
Family Flour	582,064	484,627	0.14	83	11.1	11.4	353,778	0.14	48,467	13.7	524,382	435,033	0.14	83
Pancake/Waffle Mix	156,648	145,940	0.04	93	12.6	12.8	106,536	0.04	21,627	20.3	139,119	129,379	0.05	93

10 Includes packages bulk, and bells.

* Represents a revision of the 1988 figures, due to the inclusion of new items within the categories.

CONSUMER EXPENDITURES STUDY

DRY GROCERY—FOOD

CONTINUED

1989											1988			
(add 000 to all dollar figures)	Value ¹ of Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ⁴ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	
	Total ¹	Grocery ²			Total ¹	Grocery ²								
Prepared Mixes	1,103,346	1,055,670	0.32	96	-4.6	-4.5	770,639	0.30	14,552	20.6	1,157,354	1,105,798	0.36	
Cake Mixes	503,878	485,192	0.15	96	-4.1	-3.9					525,420	504,882	0.17	
Frostings, Icings, Fudge	191,613	182,335	0.05	95	-20.4	-20.3					240,720	228,777	0.08	
Pie Crust Mixes	66,361	63,946	0.02	96	3.8	3.9					63,932	61,546	0.02	
Pizza Pie Mixes	93,109	89,806	0.03	96	3.4	3.3					90,047	86,937	0.03	
Other Prepared Mixes	248,385	234,391	0.07	94	4.7	4.8					237,235	223,656	0.08	
Beer, Wine & Liquor	39,456,355	18,756,523	5.69	47	1.2	5.3	12,702,782	4.96	2,286,501	18.0	39,001,797	17,820,744	5.74	
Beer For Home Consumption	21,932,916	15,918,605	4.83	72	4.3	7.0	10,824,651	4.22	1,526,276	14.1	21,047,230	14,884,071	4.79	
Imported Beer	1,101,591	758,826	0.23	69	2.5	-1.3					1,074,723	768,821	0.25	
Domestic Beer	20,831,325	15,159,779	4.60	73	4.3	7.4					19,972,507	14,115,250	4.55	
Liquor	10,434,244	277,054	0.08	3	2.3	1.3	254,890	0.10	102,466	40.2	10,679,881	280,703	0.10	
Wine	6,217,590	1,970,568	0.60	32	-1.2	-1.0	1,280,869	0.50	24,663,181	34.6	6,293,107	1,990,473	0.65	
Alcohol Coolers	873,605	590,296	0.18	67	-11.0	-11.3	342,372	0.13	82,512	24.1	981,579	665,497	0.22	
Breakfast Foods	7,796,987	7,651,655	2.32	96	12.8	12.8	5,786,315	2.26	621,657	14.2	6,926,063	6,777,666	2.19	
Ready-to-Eat Cereals	6,513,998	6,451,070	1.96	99	14.1	14.4	4,838,303	1.89	638,656	13.2	5,709,025	5,639,047	1.82	
Hominy Grits	93,002	83,093	0.02	89	5.4	5.6	64,813	0.02	12,509	19.3	88,237	78,687	0.03	
Hot Cereals	693,389	638,373	0.19	92	11.9	12.3	491,547	0.19	80,122	16.3	619,651	568,453	0.19	
Cereal Bars	331,837	322,270	0.10	97	-7.8	-7.8	277,152	0.11	57,370	20.7	359,910	349,534	0.12	
Toaster Pastries	164,761	156,843	0.05	95	10.4	10.5	114,500	0.04	232,243	20.3	149,240	141,945	0.05	
Candy & Chewing Gum	10,531,520	3,595,097	1.09	34	3.8	3.8	2,786,803	1.09	604,645	21.7	10,052,994	3,472,487	1.12	
Bar Candy	3,543,095	1,119,360	0.34	31	3.4	3.0					3,428,576	1,087,422	0.35	
Chocolate	2,837,875	892,783	0.27	31	3.4	3.1					2,744,560	865,939	0.28	
Non-Chocolate	705,220	226,577	0.07	32	3.1	2.3					684,016	221,483	0.08	
Packaged Chocolate	293,051	130,146	0.04	44	-1.4	-1.4	1,791,938	0.70			297,250	132,025	0.05	
Chocolate Covered Creams	143,741	65,379	0.02	45	-0.5	-0.4					144,463	65,642	0.03	
Chocolate Covered Fruits	81,555	34,194	0.01	42	3.9	3.6					78,494	33,006	0.02	
Chocolate Covered Nuts	67,755	30,573	0.01	45	-8.8	-8.4					74,293	33,377	0.02	
Packaged Candy Covered Chocolate	389,156	204,315	0.06	52	0.9	1.4					385,685	201,494	0.07	
Bulk Candy	742,915	475,008	0.14	64	0.8	0.9					737,019	470,771	0.16	
Packaged Soft Candy	124,446	64,541	0.02	52	5.6	3.8					117,847	62,178	0.03	
Packaged Hard Candy	335,637	183,511	0.05	55	6.7	3.6					314,561	177,134	0.06	
Hard Roll Candy	152,425	71,529	0.02	47	3.3	1.1					147,556	70,751	0.03	
Diet Candy, Gum, Mints	26,638	19,866	0.01	75	15.6	14.7					23,043	17,320	0.01	
Breath Fresheners	254,462	119,152	0.04	47	6.8	3.3	78,640	0.03			238,260	115,346	0.04	
Marshmallows	96,713	85,373	0.02	88	2.9	3.1	58,054	0.02			93,987	82,806	0.03	
Chewing Gum	2,015,717	909,054	0.27	45	6.9	7.3	699,972	0.27			1,885,830	847,806	0.28	
Sugared	1,268,573	571,918	0.17	45	6.3	6.6					1,193,389	536,508	0.18	
Sugarless	747,144	337,136	0.10	45	7.9	8.3					692,441	311,298	0.11	
Other Candy	2,457,265	213,242	0.06	8	3.1	2.8	157,799	0.06			2,383,380	207,434	0.07	
Canned Fish & Canned Seafood	2,300,446	2,049,709	0.62	93	3.6	3.7	1,570,849	0.61	208,923	13.3	2,222,418	1,976,878	0.64	
Canned Salmon	352,454	261,089	0.08	74	1.4	1.5	201,039	0.08	37,192	18.5	347,588	257,231	0.09	
Canned Sardines	106,938	100,773	0.03	95	3.6	-3.4	78,603	0.03	15,642	19.9	109,894	104,320	0.04	
Canned Tuna	1,758,354	1,622,961	0.49	92	4.5	4.6	1,249,680	0.49	148,712	11.9	1,682,635	1,551,588	0.50	
Other Canned Fish & Seafood	83,700	64,886	0.02	77	1.7	1.8	41,527	0.02	9,925	23.9	82,301	63,739	0.03	
Canned Fruits	2,010,013	1,741,370	0.53	86	3.1	3.3	1,264,201	0.49	285,709	22.6	1,949,920	1,686,600	0.55	
Applesauce	338,020	296,611	0.09	88	1.5	1.7	221,712	0.08	54,984	24.8	333,025	294,603	0.10	
Apricots	32,538	29,239	0.01	90	5.3	5.3	21,344	0.01	4,717	22.1	30,900	27,767	0.01	
Citrus	60,740	53,928	0.02	89	-2.9	-2.8	40,385	0.01	11,599	28.3	62,554	55,481	0.02	
Cranberries	121,019	108,644	0.02	90	14.1	14.2	92,347	0.03	18,192	19.7	106,064	95,135	0.04	
Fruit Cocktail	312,645	268,789	0.08	86	1.7	1.8	188,152	0.07	39,136	20.8	307,419	264,036	0.09	
Peaches	386,636	334,419	0.10	86	2.6	2.8	220,717	0.08	47,675	21.6	376,836	325,310	0.11	
Pears	181,743	154,657	0.05	85	1.0	1.1	122,179	0.05	25,291	20.7	179,944	152,974	0.05	
Pineapple	254,131	215,343	0.06	85	2.7	2.8	165,814	0.06	40,790	24.6	247,450	209,478	0.07	
Other Canned Fruits	322,541	276,740	0.08	86	5.5	5.7	190,951	0.07	43,155	22.6	305,726	261,816	0.09	
Canned & Bottled Juices & Drinks ¹¹	4,960,111	4,238,218	1.28	85	7.7	7.6	2,939,078	1.15	711,257	24.2	4,607,225	3,939,472	1.27	
Apple Cider & Juice	889,797	825,233	0.25	93	4.5	4.7	594,168	0.23	140,224	23.6	851,480	788,188	0.26	
Cranberry Juice	345,337	331,665	0.10	96	2.6	2.9	311,765	0.12	66,406	21.3	366,586	322,318	0.11	
Grape Juice	167,870	155,668	0.05	93	14.5	14.5	122,978	0.05	287,777	23.4	146,611	135,955	0.05	
Grapefruit Juice	160,904	135,233	0.04	84	-7.2	-7.0	106,834	0.04	22,008	20.6	173,388	145,412	0.05	
Nectars	61,432	58,121	0.02	95	3.0	3.0	44,172	0.02	10,424	23.6	59,643	56,428	0.02	
Orange Juice	112,569	89,520	0.03	79	0.0	0.1	68,035	0.02	17,213	25.3	112,569	89,431	0.03	
Pineapple Juice	105,475	99,058	0.03	94	5.9	6.0	74,294	0.03	17,979	24.2	99,599	93,451	0.04	
Prune Juice	137,425	118,584	0.03	86	0.1	0.2	87,752	0.03	19,218	21.9	137,288	118,347	0.04	
Other Fruit Juices	43,775	33,793	0.01	77	14.6	14.8	26,359	0.01	8,039	30.5	351,969	308,559	0.10	
Vegetable Juice ¹²	371,327	328,612	0.10	88	5.5	6.5	266,176	0.10	52,703	19.8	351,969	308,559	0.10	
Fruit Drinks	1,649,232	1,409,809	0.43	85	10.4	10.7	845,885	0.33	183,557	21.7	1,493,870	1,273,540	0.41	
Aseptic Juices & Drinks	820,845	574,723	0.17	70	13.8	13.2	321,845	0.12	84,967	26.4	721,305	507,706	0.17	
Aseptic Juices & Drink Concentrates	94,123	78,199	0.02	83	11.1	10.6	68,815	0.02	16,103	23.4	84,719	70,704	0.03	

11 Full strength and concentrated juices, non-carbonated

12 Chiefly tomato juice

DRY GROCERY—FOOD

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total	Percentage ³ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total
					Total ¹	Grocery ²								
Canned Meats & Specialty Foods	1,830,861	1,412,575	0.43	77	-9.5	-3.2	996,703	0.39	232,232	23.3	1,897,371	1,459,633	0.47	77
Beef Hash	110,155	86,829	0.03	79	-3.0	-2.8	61,195	0.02	12,728	20.8	113,562	89,330	0.03	79
Corned Beef	68,299	62,856	0.02	92	-10.9	-10.6	45,885	0.02	10,921	23.8	76,654	70,309	0.03	92
Ham	283,392	244,523	0.07	86	-8.2	-7.9	151,604	0.06	43,055	28.4	308,706	265,497	0.09	86
Lunch Meats	186,735	161,183	0.05	86	-3.6	-3.2	119,275	0.04	17,414	14.6	193,708	166,511	0.06	86
Meat Spreads	89,891	79,545	0.02	88	-1.8	-2.3	58,863	0.02	11,066	18.8	91,539	81,418	0.03	89
Poultry	166,341	154,207	0.05	93	5.5	5.6	103,319	0.04	17,254	16.7	157,669	146,029	0.05	93
Sausages & Frankfurters	163,451	145,681	0.04	89	-0.1	-0.2	107,804	0.04	27,921	25.9	163,615	145,973	0.05	89
Other Canned Meats	762,617	477,751	0.14	62	-3.7	-3.4	348,758	0.13	86,689	25.0	791,918	494,566	0.16	62
Canned Milk	416,454	375,264	0.11	90	1.2	1.4	265,201	0.11	248,125	8.7	411,779	370,287	0.12	90
Condensed Milk	27,364	16,670	0.00	61	3.1	2.3					26,541	16,295	0.01	61
Evaporated Milk	389,090	358,594	0.12	92	1.0	1.3					385,238	353,992	0.12	92
Canned Prepared Food	3,104,079	1,960,765	0.59	93	8.6	9.0	1,549,004	0.60	382,404	24.7	1,935,327	1,800,114	0.58	93
Chili	343,468	301,616	0.09	88	6.1	6.3	238,277	0.09	44,081	18.5	323,721	283,740	0.10	88
Meat Stew	179,640	160,646	0.05	89	3.4	3.6	126,910	0.05	26,397	20.8	173,733	155,064	0.05	89
Mexican Food	706,930	663,763	0.20	94	11.7	11.8	524,373	0.20	148,922	28.4	632,883	593,706	0.20	94
Oriental Food	261,633	251,561	0.07	96	0.2	0.2	198,733	0.08	60,812	30.6	261,111	251,059	0.09	96
Pasta	612,408	583,179	0.17	95	12.6	12.9	460,711	0.18	102,278	22.2	543,879	516,545	0.17	95
Canned & Dry Soup	2,875,884	2,744,840	0.83	95	-6.5	-6.7	2,107,428	0.82	366,692	17.4	2,701,401**	2,573,022**	0.73	95
Canned Soup	2,052,953	1,957,592	0.59	95	7.5	7.7	1,468,194	0.57	229,038	15.6	1,911,220	1,818,521	0.59	95
Condensed Soup	1,400,696	1,334,613	0.40	95	7.8	8.0					1,299,347	1,235,753	0.40	95
Single Strength	652,257	622,979	0.19	95	6.6	6.9					611,873	582,768	0.19	95
Dry Soup ¹	739,448	708,383	0.21	96	3.8	4.0	580,874	0.22	142,314	24.5	712,378**	681,138**	0.12	93
Instant Bouillon & Cubes	83,483	78,865	0.02	94	7.4	7.5	58,360	0.02	13,481	23.1	77,803	73,363	0.03	94
Canned Vegetables	3,750,397	3,323,429	1.01	88	-8.6	-8.8	2,576,736	1.00	549,271	21.3	3,455,183	3,056,973	0.99	88
Asparagus	99,573	89,216	0.03	89	5.0	5.0	70,481	0.03	16,915	24.0	94,832	84,988	0.03	90
Beans (Waxed & Green)	475,690	427,543	0.13	90	13.9	14.2	312,106	0.12	67,103	21.5	417,638	374,381	0.13	90
Beans with Pork or Sauce ¹	477,704	437,925	0.13	92	3.9	4.0	328,444	0.13	60,105	18.3	459,773	421,082	0.14	91
Beets	84,988	76,214	0.02	90	3.0	3.1	60,971	0.02	13,596	22.3	82,513	73,922	0.03	89
Corn	655,272	588,605	0.18	90	14.8	15.2	476,770	0.18	112,041	23.5	570,794	510,942	0.17	89
Mushrooms	243,578	218,525	0.07	88	4.3	4.2	172,635	0.07	43,159	25.0	233,536	209,717	0.07	90
Peas	360,308	320,626	0.10	89	15.8	16.0	234,057	0.09	54,301	23.2	311,147	276,402	0.09	89
Potatoes	127,530	109,665	0.03	86	6.0	6.1	65,799	0.02	14,805	22.5	120,311	103,360	0.04	86
Sauerkraut	76,118	69,108	0.02	91	3.2	3.1	53,904	0.02	11,859	22.0	73,758	67,030	0.03	91
Tomatoes	448,280	387,885	0.12	86	7.6	8.0	321,945	0.12	69,540	21.6	416,617	359,153	0.12	86
Tomato Sauce	397,539	340,004	0.10	85	4.2	3.9	272,003	0.10	48,960	18.0	381,515	327,242	0.11	86
Tomato Paste	190,733	162,775	0.05	85	2.8	2.9	135,103	0.05	22,157	16.4	185,538	158,188	0.06	85
Tomato Puree	61,149	51,879	0.01	85	4.3	4.1	44,097	0.02	9,348	21.2	58,628	49,836	0.02	85
Other Canned Vegetables	51,935	43,459	0.01	84	6.9	6.7	30,421	0.01	6,632	21.8	48,583	40,730	0.02	84
Condiments, Dressings, Spreads, Relishes	7,906,916	6,366,358	1.93	80	-6.1	-6.2	4,945,142	1.93	1,078,041	21.8	7,456,529**	5,997,509**	1.93	80
Condiments	2,468,402	1,961,659	0.59	79	5.0	5.1	1,502,852	0.58	255,485	17.0	2,350,964	1,867,034	0.61	79
Barbecue Sauce	405,288	354,181	0.11	87	8.8	8.2	279,803	0.11	59,878	21.4	372,507	327,339	0.11	86
Condiment Sauces ¹	147,221	116,215	0.03	79	7.0	6.9	84,837	0.03	21,549	25.4	137,590	108,714	0.04	79
Flavor Enhancers	20,820	18,694	0.00	90	-1.7	-1.6	13,834	0.00	2,684	19.4	21,180	18,998	0.01	90
Ketchup	622,806	492,428	0.15	79	3.1	3.2	359,472	0.14	100,652	28.0	604,080	477,159	0.16	79
Meat Tenderizers	32,934	27,189	0.01	82	-2.1	-2.1	20,664	0.01	6,406	31.0	33,640	27,772	0.01	82
Onion Flakes	44,837	38,995	0.01	87	3.5	3.6	29,636	0.01	7,172	24.2	43,321	37,640	0.02	87
Pepper	250,183	179,852	0.05	72	1.2	1.3	134,889	0.05	31,564	23.4	247,216	177,544	0.06	72
Prepared Mustard	191,793	150,287	0.04	78	6.6	6.8	118,727	0.04	26,832	22.6	179,918	140,718	0.05	78
Salt	147,021	121,293	0.03	82	4.8	4.9	90,970	0.03	19,831	21.8	140,287	115,627	0.04	82
Spices	605,499	462,525	0.14	76	6.0	6.2	370,020	0.14	117,666	31.8	571,225	435,523	0.15	76
Dressings, Spreads	2,455,688	2,065,298	0.62	84	-6.7	-6.6	1,642,617	0.64	264,461	16.1	2,303,135	1,937,739	0.63	84
Pourable Salad Dressings	933,092	817,861	0.25	88	7.0	7.1	682,467	0.26	164,292	24.8	872,049	763,642	0.25	87
Spoonable Salad Dressings	48,236	430,178	0.13	88	7.1	6.8	357,048	0.14	36,776	10.3	456,607	402,788	0.13	88
Mayonnaise	853,247	685,488	0.21	80	6.7	6.6	514,116	0.20	68,377	13.3	799,669	643,047	0.21	80
Sandwich Spreads	44,513	39,424	0.01	88	-3.4	-3.4	29,568	0.01	4,967	16.8	46,080	40,812	0.02	88
Vinegar	135,810	92,347	0.03	68	5.5	5.6	79,418	0.03	18,187	22.9	128,730	87,450	0.03	68
Relishes & Appetizers	1,361,754	928,438	0.28	68	5.2	5.4	741,451	0.29	193,519	26.1	1,294,878	881,057	0.29	68
Bottled Green Olives	176,273	149,760	-0.04	85	8.5	8.9	124,301	0.05	34,556	27.8	162,464	137,521	0.05	85
Canned Ripe Olives	208,417	178,719	0.05	86	4.5	4.3	144,762	0.05	36,190	25.0	199,442	171,351	0.06	86
Pickled Cucumbers	850,114	491,684	0.15	58	4.7	4.8	393,347	0.15	104,237	26.5	811,952	469,164	0.16	58
Tomatoes, Peppers														
Relishes & Mixed Pickles	126,950	108,275	0.03	85	4.9	5.0	79,041	0.03	19,286	24.4	121,020	103,021	0.04	85
Spaghetti Sauces	1,623,072	1,410,963	0.43	87	7.7	7.6	1,058,222	0.41	249,740	23.6	1,507,552**	1,311,679**	0.42	87
Meatless	1,417,648	1,247,993	0.38	88	8.4	8.2					1,307,793	1,153,413	0.38	88
With Meat	179,685	140,133	0.04	78	1.8	1.8					176,508	137,655	0.05	78
With Clams	25,739	22,837	0.01	89	10.7	10.8					23,251**	20,611**	0.01	80

13 Includes instant and mixes.

15 Excludes chili, seafood, cocktail and Oriental sauces.

14 Includes baked beans

* Represents a revision of the 1988 figures previously published.

DRY GROCERY—FOOD

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ² Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
Desserts	661,216	579,603	0.17	88	2.7	2.9	445,306	0.17	90,642	20.4	643,995	563,470	0.19	87
Packaged Gelatin ¹⁴	239,731	220,816	0.06	92	3.1	3.2	172,236	0.07	30,313	17.6	232,523	213,696	0.07	92
Prepared Puddings ¹⁷	305,765	258,420	0.08	84	2.4	2.6	196,399	0.07	43,993	22.4	298,599	251,871	0.09	84
Dried Toppings	13,688	12,962	0.00	95	4.1	4.0	10,243	0.00	2,632	25.7	12,938	12,463	0.01	96
Ice Cream & Dessert Toppings	102,034	87,405	0.02	86	2.1	2.3	66,428	0.02	13,950	21.0	999,357	85,440	0.03	85
Dried Foods	3,895,562	3,161,886	0.96	81	9.6	9.3	2,356,845	0.92	511,435	21.7	3,556,326	2,893,178	0.94	81
Dried Vegetables & Fruits	2,363,550	1,758,885	0.53	74	9.6	8.8	1,295,044	0.50	290,090	22.4	2,158,421	1,617,127	0.53	75
Dried Beans & Peas	491,918	252,386	0.07	51	16.0	16.3	151,432	0.06	28,318	18.7	424,067	217,013	0.07	51
Fruits	690,401	534,244	0.16	77	6.2	6.2	416,710	0.16	102,511	24.6	650,526	503,237	0.17	77
Apricots	29,875	21,009	0.00	70	10.9	11.0					26,969	18,927	0.01	70
Dates	40,284	35,303	0.01	87	4.5	4.8					38,549	33,686	0.02	87
Figs	10,839	7,789	0.00	72	10.6	10.7					9,800	7,036	0.01	72
Raisins	422,920	325,941	0.10	77	3.2	3.4					409,806	315,223	0.11	77
Prunes	164,623	128,569	0.04	78	17.0	16.1					140,703	110,740	0.04	79
Other Dried Fruit ¹⁸	21,860	15,633	-0.00	71	-11.6	-11.3					24,729	17,625	0.01	71
Instant Mashed Potatoes	182,412	174,378	0.05	95	12.6	12.8	129,040	0.05	29,937	23.2	162,000	154,590	0.05	95
Other Instant Potatoes	58,557	54,648	0.01	93	4.5	4.7	40,440	0.01	8,209	20.3	56,035	52,195	0.02	93
Rice	940,262	743,229	0.22	79	8.6	7.7	557,422	0.22	120,960	21.7	865,803	690,092	0.23	80
Other Dried Foods	1,532,012	1,403,003	0.42	91	9.6	10.0	1,061,801	0.41	217,669	20.5	1,397,895	1,275,051	0.42	91
Cured Fish	222,672	143,086	0.04	64	4.0	4.1	110,176	0.04	26,552	24.1	214,108	137,451	0.05	64
Dry Gravy Mixes	88,755	85,186	0.02	96	8.3	8.3	62,186	0.02	17,785	28.6	81,953	78,657	0.03	96
Dry Dinner Mixes	958,561	932,319	0.28	97	11.6	11.6	699,239	0.27	132,156	18.9	858,926	835,411	0.27	97
Breading Mixes	91,461	76,914	0.02	84	8.0	8.1	56,147	0.02	11,847	21.1	84,686	71,151	0.03	84
Dry Stuffing Mixes	170,563	165,498	0.05	97	7.8	7.9	134,053	0.05	27,749	20.7	158,222	153,381	0.05	97
Fats & Shortenings¹⁹	1,903,887	1,581,407	0.48	83	3.4	4.2	1,210,969	0.47	213,130	17.6	1,842,708	1,518,638	0.49	82
Cooking & Salad Oils	1,238,224	1,019,055	0.31	82	4.4	4.8	815,244	0.32	162,233	19.9	1,186,038	972,381	0.32	82
Lard	82,870	35,184	0.01	42	-14.0	-14.1	25,684	0.01	3,827	14.9	96,360	40,959	0.02	42
Olive Oil	166,285	157,378	0.05	94	18.4	18.4	114,886	0.04	21,598	18.8	140,443	132,921	0.05	95
Shortening	416,508	369,790	0.11	89	-0.8	-0.7	255,155	0.10	30,363	11.9	419,867	372,397	0.12	89
Jams, Jellies & Preserves	2,683,755	2,179,713	0.66	81	8.0	8.3	1,498,490	0.58	274,224	18.3	2,485,303	2,014,308	0.65	81
Citrus Marmalade	14,401	12,157	0.01	86	2.6	2.6	659,789	0.26	166,267	25.2	14,036	11,849	0.01	84
Fruit Butter	7,893	6,835	0.01	86	10.0	10.1					7,175	6,208	0.01	86
Jams, Preserves	829,909	712,087	0.21	86	6.3	6.5					780,723	668,626	0.22	86
Jellies	280,826	239,199	0.07	85	6.6	6.7					263,439	224,179	0.08	85
Honey	193,394	139,720	0.04	72	10.0	12.0	100,598	0.04	18,409	18.3	175,813	124,750	0.05	71
Peanut Butter	1,357,332	1,069,715	0.32	79	9.1	9.3	738,103	0.29	114,406	15.5	1,244,117	978,696	0.32	79
Pasta	1,817,305	1,309,170	0.40	72	12.5	12.2	981,676	0.36	251,361	25.6	1,616,427	1,167,052	0.38	72
Macaroni	635,167	422,583	0.13	66	11.4	11.2					570,168	380,021	0.13	67
Noodles	429,803	321,723	0.10	75	15.5	15.1					372,124	279,516	0.09	75
Spaghetti	752,335	564,864	0.17	75	11.6	11.3					674,135	507,515	0.17	75
Prepared Drinks	9,360,526	7,394,147	2.24	79	0.0	-0.1	5,449,254	2.12	1,117,097	20.5	9,368,369	7,404,194	2.39	79
Cocoa	343,814	309,743	0.09	90	0.0	0.1	253,989	0.10	56,131	22.1	344,043	309,580	0.10	90
Unsweetened Cocoa	28,383	20,953	0.00	74	-0.8	-0.6					28,612	21,079	0.01	74
Prepared Sweet Cocoa	315,431	288,790	0.09	92	0.0	0.1					315,431	288,501	0.10	91
Coffee	6,684,219	4,960,018	1.50	74	-0.5	-0.5	3,645,939	1.42	689,082	18.9	6,720,163	4,994,890	1.61	74
Regular Coffee	5,333,244	3,681,885	1.11	69	0.7	0.9	2,687,776	1.05	481,112	17.9	5,296,171	3,649,044	1.18	69
Instant Coffee	1,327,759	1,256,291	0.38	94	-5.3	-5.2	942,218	0.37	200,692	21.3	1,402,069	1,325,201	0.43	94
Whole Bean Coffee	23,216	21,842	0.00	94	5.9	5.8	15,945	0.00	4,098	25.7	21,923	20,645	0.01	94
Powdered Drink Mixes ²⁰	717,434	678,207	0.20	94	1.1	1.2	495,091	0.19	99,018	20.0	709,628	670,165	0.22	94
Dry Milk Powder ²¹	127,973	121,151	0.03	95	9.7	9.8	87,229	0.03	19,190	22.0	116,657	110,338	0.04	94
Prepared Food Drinks	88,753	83,564	0.02	94	-4.3	-4.6	55,152	0.02	13,181	23.9	92,741	87,593	0.03	94
Tea	1,030,340	902,369	0.27	87	-0.7	-1.0	667,706	0.26	152,237	22.8	1,037,968	911,544	0.30	88
Bags & Loose Tea	414,350	371,088	0.11	89	-0.7	-0.8	289,449	0.11	97,255	33.6	417,271	374,081	0.13	90
Herb Tea	193,397	140,067	0.04	72	8.3	9.0	103,650	0.04	23,010	22.2	178,575	128,502	0.05	72
Ice Tea Mixes	308,124	266,038	0.08	93	-6.2	-6.1	203,087	0.08	46,710	23.0	328,490	304,620	0.10	93
Instant Tea	114,469	105,176	0.03	92	0.8	0.8	71,520	0.03	17,093	23.9	113,561	104,341	0.04	92
Breakfast Drinks	120,986	114,310	0.03	94	4.4	4.1	82,303	0.03	18,518	22.5	115,887	109,806	0.04	93
Coffee Creamer	247,009	224,785	0.07	91	6.8	6.9	161,845	0.06	43,698	27.0	231,282	210,276	0.07	91
Snacks	9,368,716	6,064,964	1.84	65	8.5	8.0	3,883,432	1.51	1,001,925	25.8	8,640,033	5,616,310	1.81	65
Corn Chips	1,395,309	1,044,901	0.31	75	18.1	17.7	710,533	0.28	186,159	26.2	1,181,461	887,766	0.29	75
Fruit Rolls & Bars	325,590	274,656	0.08	84	-1.4	-1.7	170,287	0.06	42,231	24.8	330,231	279,406	0.09	85
Packaged Unpopped Popcorn	785,144	660,354	0.20	84	9.4	9.8	356,591	0.14	103,055	28.9	717,682	601,415	0.20	84
Popped Popcorn	580,999	405,977	0.12	70	21.1	15.6	223,287	0.09	65,869	29.5	479,768	351,191	0.12	73

16 Both flavored and unflavored**19** Margarine included with dairy**17** Both instant and other prepared puddings. Includes corn starch puddings, tapioca and rennet**20** Excludes "breakfast drinks" listed separately**18** Excludes fruit rolls and bars (listed under Snacks)**21** Includes chocolate syrup-based drinks, malted milk items and other non-refrigerated items, but excludes chocolate syrup

DRY GROCERY—FOOD

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total	Percentage ³ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total
					Total ¹	Grocery ²								
Pork Rinds	285,887	251,703	0.07	88	6.9	6.7	161,090	0.06	46,877	29.1	267,434	235,898	0.08	88
Potato Chips	4,046,734	2,272,873	0.69	56	8.1	6.0	1,477,367	0.57	336,840	22.8	3,743,510	2,144,220	0.69	57
Pretzels	364,148	334,954	0.10	92	19.0	20.3	267,963	0.10	67,259	25.1	306,007	278,432	0.09	91
Snack Nuts ²²	1,584,907	819,546	0.25	52	-1.8	-2.2	516,314	0.20	155,410	30.1	1,613,958	837,982	0.27	52
Soft Drinks	17,521,406	10,331,071	3.13	59	3.9	3.8	8,537,094	3.33	1,733,030	20.3	16,888,144	9,955,554	3.21	59
Bottled Soft Drinks	14,215,349	7,191,545	2.18	50	2.4	1.7	8,023,101	3.13	1,612,643	20.1	13,889,595	7,077,808	2.28	51
Diet	1,105,827	861,224	0.26	78	4.1	2.4					1,062,274	841,039	0.28	79
Sugared	13,109,522	6,330,321	1.92	48	2.2	1.5					12,827,321	6,236,769	2.01	49
Canned Soft Drinks	2,760,020	2,592,725	0.78	94	9.1	7.2					2,531,683	2,419,405	0.78	95
Diet	1,132,692	1,034,293	0.31	91	11.9	10.1					1,012,236	939,413	0.31	93
Sugared	1,627,328	1,558,432	0.47	96	7.1	5.3					1,519,447	1,479,992	0.48	97
Bottled Water	556,037	546,801	0.16	98	19.1	19.3	513,993	0.20	124,900	24.3	466,866	458,341	0.15	98
Sweeteners, Flavors	2,672,349	2,359,637	0.71	62	7.6	7.6	1,754,247	0.68	259,628	14.6	2,666,133**	2,194,604**	0.74	81
Flavoring Extracts	164,312	109,596	0.03	67	7.8	7.2	81,102	0.03	24,331	30.0	152,512	102,271	0.04	67
Vanilla Extracts	99,011	66,396	0.02	67	8.5	7.4	49,133	0.02	14,642	29.8	91,254	61,821	0.02	68
Other Flavoring Extracts	65,301	43,201	0.01	66	6.6	6.8	31,969	0.01	9,687	30.3	61,258	40,450	0.02	66
Marshmallow Cream	12,543	11,163	0.00	89	0.2	0.2	8,037	0.00	1,889	23.5	12,518	11,141	0.01	89
Packaged Molasses	25,636	22,168	0.00	86	4.2	4.3	16,404	0.00	3,625	22.1	24,603	21,254	0.01	86
Sugar	1,825,616	1,546,475	0.47	85	7.1	6.9	1,128,927	0.44	130,355	11.6	1,704,590	1,446,656	0.47	85
Synthetic Sweeteners	276,143	242,720	0.07	88	3.8	3.9	182,040	0.07	41,505	22.8	266,034	233,609	0.08	88
Table Syrup	—568,099	427,515	0.13	75	12.3	12.6	337,737	0.13	60,455	17.9	505,876	379,676	0.13	75
Total Dry Grocery—Food	\$131,474,355	\$94,091,939	28.50	66	4.4	5.9	\$69,198,689	27.00	\$13,906,932	20.1	\$135,562,301**	\$88,696,445**	28.53	66
Total Foods	\$362,317,418	\$244,910,375	74.30	67	4.6	5.7	\$191,892,678	74.77	\$46,940,255	24.5	\$346,597,712*	\$231,848,244*	74.43	67

DRY GROCERY—NONFOOD

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total	Percentage ³ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ² to Total
					Total ¹	Grocery ²								
Home Canning Supplies	\$116,153	\$93,427	0.03	80	2.1	1.9	\$77,544	0.03	\$17,990	23.2	\$113,840	\$91,748	0.03	80
Caps, Lids, Bands	67,168	57,512	0.02	85	2.2	2.1					65,722	56,329	0.03	86
Jars	48,985	35,915	0.01	73	1.8	1.4					48,119	35,419	0.02	74
Laundry Supplies	1,757,757	1,623,675	0.49	92	4.3	4.5	1,176,023	0.46	156,411	13.3	1,685,767	1,555,149	0.51	92
Bleaches	725,923	677,661	0.20	93	3.9	4.1	481,139	0.19	50,520	10.5	699,201	651,574	0.21	93
Chlorine Bleach	329,373	309,373	0.09	94	10.6	10.7					297,806	279,189	0.09	94
Non-Chlorine	342,961	321,138	0.10	93	1.1	-0.9					347,787	324,054	0.11	93
Dry Bleach	52,569	47,461	0.01	90	-1.9	-1.8					53,608	48,331	0.02	90
Bluing	5,007	4,162	0.00	83	2.6	2.4	2,913	0.00	466	16.0	4,880	4,064	0.01	83
Fabric Softeners	753,975	698,454	0.21	92	6.1	6.2	516,856	0.20	90,967	17.6	710,627	657,678	0.22	92
Soil & Stain Remover	178,517	157,886	0.04	88	2.3	2.2	115,257	0.04	22,821	19.8	174,503	154,487	0.05	89
Laundry Starch ²³	94,335	85,512	0.02	90	-2.3	-2.1	59,858	0.02	12,929	21.6	96,556	87,346	0.03	90
Soaps & Detergents	6,357,355	5,813,194	1.76	91	4.7	5.0	4,446,220	1.73	622,471	14.0	6,077,576	5,539,983	1.79	91
Cleansers (Scouring)	281,372	223,233	0.07	79	2.4	2.8	162,960	0.06	33,244	20.4	274,777	217,153	0.07	79
Laundry Bar Soaps	4,994	3,983	0.00	80	1.4	1.6	3,067	0.00	405	13.2	4,925	3,920	0.01	80
Soap Flakes, Chips, Powders	37,668	35,660	0.01	95	-2.7	-2.6	26,032	0.01	3,436	13.2	38,673	36,650	0.02	95
Liquid Detergents	2,053,456	1,943,911	0.59	95	7.5	7.8	1,549,462	0.60	198,331	12.8	1,910,428	1,804,619	0.59	94
Heavy Duty	728,555	688,611	0.21	94	10.3	10.8	557,775	0.22	88,606	12.3	660,521	621,490	0.20	94
Other Liquid Detergents ²⁴	1,324,901	1,255,300	0.38	95	6.0	6.1	991,687	0.39	128,919	13.0	1,249,907	1,183,129	0.39	95
Other Detergents	2,504,221	2,395,997	0.72	95	4.3	4.5	1,821,099	0.71	198,500	10.9	2,403,120	2,294,441	0.74	95
Dishwashing Compounds	470,199	417,665	0.12	89	-1.4	-1.3	325,779	0.13	43,003	13.2	476,875	423,166	0.14	89
Other Dry Low-Sudsing	860,179	821,208	0.25	95	6.7	6.9	615,906	0.24	80,975	9.9	806,166	768,202	0.25	95
Other Dry Detergents	1,173,843	1,157,124	0.35	98	4.8	4.9	879,414	0.34	94,087	10.7	1,120,079	1,103,073	0.36	98
Toilet Soaps, Detergents	1,331,879	1,127,731	0.34	84	2.2	2.4	823,244	0.32	161,356	19.6	1,303,311	1,101,421	0.36	84
Bath Detergents	135,421	105,821	0.03	78	10.2	9.9					150,803	117,448	0.04	78
Bath Soaps	359,650	279,667	0.08	78	3.2	3.5					348,498	270,210	0.09	77
Deodorant Soaps & Bars	540,971	539,169	0.16	99	2.7	2.9					526,749	523,974	0.17	99
Liquid Soaps	295,837	203,074	0.06	68	6.7	7.0					277,261	189,789	0.07	68
Water Softening Salt	143,765	82,679	0.02	57	1.0	1.1	60,356	0.02	12,976	21.5	142,342	81,779	0.03	57

22 Includes bulk nuts

23 Includes dry, liquid and spray starch

24 Includes dishwashing liquids

* Represents a revision of the 1988 figures due to the inclusion of new items within the categories

** Represents a revision of the 1988 figure—previously published

DRY GROCERY—NONFOOD

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ¹ Change from 88 to 89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
					Total ¹	Grocery ²								
Other Cleaners, Cleansers, & Supplies	3,565,967	2,301,262	0.70	64	5.1	5.6	1,632,290	0.64	450,512	27.6	3,395,348	2,180,055	0.71	64
All Purpose Cleaners (Liquid)	779,492	694,229	0.21	89	6.7	7.1	534,556	0.21	121,344	22.7	730,545	648,206	0.21	89
Cellulose Sponges	158,768	112,855	0.03	71	7.4	4.5	80,127	0.03	34,455	43.0	147,829	107,955	0.04	73
Drain Pipe Solvents	34,440	31,971	0.01	93	3.1	3.3	25,577	0.01	5,448	21.3	33,404	30,950	0.01	93
Household Ammonia	50,759	34,969	0.01	69	4.2	4.1	25,176	0.01	5,161	20.5	48,713	33,592	0.02	69
Household Brooms	160,108	103,797	0.03	65	1.4	1.2	98,829	0.04	39,927	40.4	157,897	102,566	0.04	65
Mops	217,826	126,037	0.04	58	0.7	0.4					216,312	125,535	0.05	58
Spot Cleaning Fluid	54,077	22,428	0.01	41	8.2	7.8	15,924	0.01	5,127	32.2	49,979	20,805	0.01	42
Household Disinfectants	291,861	223,061	0.07	76	6.1	6.5	160,604	0.06	36,618	22.8	275,233	209,619	0.07	76
Aerosol	231,343	172,740	0.05	74	6.0	6.3					218,248	162,502	0.06	74
Non-Aerosol	60,518	50,321	0.01	83	6.2	6.8					56,985	47,117	0.02	83
Household Deodorizers	351,403	202,793	0.06	58	8.3	7.3	146,011	0.05	38,547	26.4	324,591	189,129	0.07	58
Aerosol, Room	102,232	69,339	0.02	68	8.9	6.7					93,877	64,985	0.03	92
Non-Aerosol, Room	249,171	133,455	0.04	53	8.0	7.5					230,714	124,144	0.04	54
Rug Cleaners	87,364	64,183	0.02	73	8.1	8.4	48,137	0.02	13,526	28.1	80,818	59,209	0.02	73
Oven Cleaners	66,185	62,588	0.02	94	4.0	3.9	47,567	0.02	10,560	22.2	68,943	65,128	0.03	94
Steel Wool & Wire Sponges	124,396	114,584	0.03	92	1.5	1.6	81,355	0.03	21,152	26.0	122,558	112,780	0.04	92
Toilet Bowl Cleaners	120,417	104,052	0.03	86	4.0	4.3	73,877	0.03	18,765	25.4	115,786	99,762	0.04	86
Vacuum Cleaner Bags	760,275	171,618	0.05	22	1.3	1.1	125,281	0.05	56,877	45.4	750,518	169,751	0.06	23
Wall & Floor Cleaners	64,002	55,813	0.02	87	7.2	7.0	39,627	0.01	9,154	23.1	59,703	52,162	0.02	87
Window Cleaners	120,916	101,649	0.03	84	22.2	20.3	72,171	0.03	16,527	22.9	98,949	84,496	0.03	85
All Other Cleaners	123,678	74,635	0.02	60	8.9	9.1	57,469	0.02	13,275	23.1	113,570	68,410	0.03	60
Paper, Plastic, Foil Products	15,335,567	11,795,029	3.58	77	8.6	7.5	8,990,685	3.31	1,402,547	15.6	14,127,364**	10,978,720**	3.51	79
Cleansing Facial Tissues	1,026,235	878,499	0.26	85	6.4	4.0	764,294	0.30	133,751	17.5	964,507	844,711	0.28	88
Coffee Filters	96,313	95,870	0.03	99	11.3	11.3	70,944	0.03	20,999	29.6	86,535	86,137	0.03	99
Disposable Diapers	3,249,526	2,270,346	0.69	70	5.2	4.8	1,611,946	0.63	96,717	6.0	3,088,903	2,166,361	0.70	70
Incontinence Products	747,861	70,368	0.02	9	14.9	27.1	56,294	0.02	16,944	30.1	650,880	55,364	0.03	8
Freezer Paper	19,679	16,582	0.01	84	0.0	0.0	12,271	0.00	3,411	27.8	19,679	16,582	0.01	84
Paper Cups ²⁶	457,728	358,871	0.11	78	5.8	5.0	305,040	0.12	67,719	22.2	432,635	341,782**	0.17	46
Paper Napkins	469,470	436,047	0.13	93	7.4	7.2	348,838	0.13	91,395	26.2	437,123	406,760	0.14	93
Paper Plates ²⁷	758,648	601,266	0.18	79	14.0	13.2	468,987	0.18	70,348	15.0	662,849	531,154	0.18	80
Paper Towels	1,918,827	1,695,129	0.51	88	5.8	6.9	1,152,688	0.45	277,798	24.1	1,813,636	1,585,715	0.51	87
Pre-Moistened Wipes ²⁸	190,300	151,872	0.04	80	7.3	6.1	112,385	0.04	26,860	23.9	177,353	143,140	0.05	81
Sandwich Bags	8,879	8,168	0.01	92	6.3	6.4	5,963	0.00	751	12.6	8,353	7,677	0.01	92
Toilet Paper	2,689,388	2,720,325	0.82	94	9.1	9.2	1,931,431	0.75	467,406	24.2	2,648,385	2,491,140	0.81	94
Waxed Paper	38,557	33,355	0.01	86	3.8	4.0	24,683	0.01	5,554	22.5	37,155	32,072	0.02	86
Other Paper Products	107,028	30,177	0.01	28	11.6	11.1	22,029	0.01	4,824	21.9	95,903	27,162	0.01	28
Plastic Cutlery	66,089	54,365	0.01	82	6.9	10.3	27,183	0.01	6,062	22.3	61,823	49,288	0.02	80
Household Aluminum Foil	454,309	406,423	0.12	89	4.6	4.8	325,138	0.17	60,150	18.5	434,330	387,808	0.13	89
Disposable Aluminum Cookware	225,841	170,489	0.05	75	13.0	12.7	141,506	0.05	35,342	25.4	199,859	151,275**	0.07	99
Plastic Bags	2,357,237	1,590,109	0.48	67	13.3	8.6	1,478,801	0.58	369,700	25.0	2,080,884**	1,465,022	0.48	85
Garbage Disposal	1,720,656	1,049,796	0.32	61	13.8	7.9	976,310	0.38	247,006	25.3	1,512,000**	972,934	0.32	84
Food & Other Bags	636,581	540,313	0.16	85	11.9	9.8	502,491	0.19	124,115	24.7	568,884	492,088	0.16	86
Plastic Film Wrap	259,652	206,768	0.06	79	14.6	8.5	130,264	0.05	26,053	20.0	226,572	190,570	0.07	84
Pesticides & Rodent Control	585,040	343,703	0.10	59	14.9	11.6	261,214	0.10	69,222	26.5	509,547	308,177	0.10	60
Aerosol	276,875	182,918	0.05	66	8.1	7.8					256,129	169,683	0.06	66
Liquid (Non-Aerosol)	50,672	32,965	0.01	65	-1.9	-2.4					51,653	33,776	0.02	65
Pastes, Solids, Strips	38,046	26,014	0.01	68	9.8	10.0					34,650	23,649	0.01	68
Personal Insect Repellants	70,428	38,887	0.01	55	54.9	41.3					45,467	27,521	0.01	60
Non-Chemical Pest Control ²⁹	149,019	62,919	0.02	42	22.5	17.5					121,648	53,548	0.02	44
Waxes & Polishes	383,122	298,217	0.09	78	-1.4	-1.2	280,043	0.11	65,250	23.3	388,616	301,903	0.10	78
Furniture Polish	246,138	190,918	0.06	77	0.3	-0.1	202,788	0.08	44,816	22.1	246,879	191,109	0.07	77
Buffing Floor Wax	9,928	6,092	0.00	61	-8.8	-8.7	77,255	0.03	19,314	25.0	10,886	6,672	0.01	66
Self-Polishing Floor Wax	127,056	101,207	0.03	79	-2.9	-2.8					130,851	104,122	0.04	80
Other Household Supplies	2,830,462	1,323,812	0.40	46	3.2	1.6	741,290	0.29	243,884	32.9	2,745,052	1,300,328	0.42	47
Charcoal Briquettes	350,703	310,238	0.09	88	-0.5	-0.3	176,836	0.07	32,714	18.5	352,465	311,172	0.11	88
Charcoal Lighter	111,386	80,149	0.02	72	1.7	1.8	52,898	0.02	13,172	24.9	109,524	78,732	0.03	72
Electric Christmas Bulbs/Sets	304,054	34,231	0.01	11	5.0	-1.0	20,539	0.01	8,462	41.2	289,575	34,577	0.02	12
Electric Light Bulbs ³⁰	1,255,356	512,689	0.15	41	3.5	1.3	276,852	0.11	114,340	41.3	1,212,904	506,110	0.17	42
Fireplace Logs	117,226	82,037	0.02	70	8.9	9.4	70,552	0.03	17,144	24.3	107,646	74,988	0.03	70
Household Glue	25,158	3,218	0.00	13	0.0	0.0	1,866	0.00	694	37.2	25,158	3,218	0.01	13
Household Tints & Dyes	51,786	4,712	0.00	9	5.1	5.0	2,733	0.00	1,047	38.3	49,273	4,516	0.01	9
Matches ³⁰	37,206	28,889	0.01	77	1.3	1.6	17,333	0.00	6,101	35.2	36,729	28,434	0.01	77
Shoe Polish	248,354	74,767	0.02	29	4.7	9.0	30,911	0.01	13,972	45.2	237,205	68,594	0.03	29

25 Includes borax and similar products.**26** Includes plastic and other non-paper disposables.**27** Includes baby wipes.**28** Includes mouse and other traps.**29** 200 watt and under, including non-residential use. Grocery store sales are estimated to be 70 percent residential.**30** Includes wooden and book matches.

** Represents a revision of the 1988 figures previously published.

DRY GROCERY—NONFOOD

CONTINUED

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ⁴ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
Gloves	127,257	93,296	0.03	73	-5.1	-3.6	56,911	0.02	22,878	40.2	134,190	96,829	0.04	72
Household Gloves (Cloth)	52,373	20,062	0.01	38	-5.4	-4.9					55,365	21,096	0.01	38
Rubber Gloves	74,884	73,234	0.02	98	-5.0	-3.3					78,825	75,733	0.03	96
Household Supplies n.c.	201,996	99,586	0.03	49	6.1	6.9	33,859	0.01	9,616	28.4	190,383	93,158	0.03	49
Pet Foods	6,750,864	6,197,243	1.88	91	6.6	6.1	4,474,607	1.74	836,751	18.7	6,374,669	5,843,627	1.89	92
Canned Pet Food	2,315,183	2,140,293	0.65	92	6.5	5.5	1,555,826	0.61	312,721	20.1	2,175,153	2,029,214	0.66	93
Canned Cat Food	1,306,460	1,207,273	0.36	92	6.7	5.3	893,382	0.35	187,610	21.0	1,224,424	1,146,508	0.37	94
Canned Dog Food	1,008,723	933,020	0.28	92	6.1	5.7	662,444	0.26	125,202	18.9	950,729	882,706	0.29	93
Dry Pet Food	3,188,996	2,961,502	0.90	93	8.2	8.0	2,102,667	0.82	330,119	15.7	2,948,822	2,744,285	0.89	93
Dry Cat Food	979,509	909,615	0.27	93	10.1	9.8	645,969	0.25	120,150	18.6	889,854	828,611	0.27	93
Dry Dog Food	2,209,487	2,051,687	0.62	93	7.3	7.1	1,456,698	0.57	211,221	14.5	2,059,168	1,915,674	0.62	93
Semi-Moist Pet Food	382,257	332,127	0.10	87	-8.8	-10.0	249,151	0.10	46,093	18.5	419,144	369,271	0.12	88
Semi-Moist Cat Food	204,609	183,898	0.05	90	-9.4	-9.7	130,568	0.05	23,341	17.8	225,838	203,652	0.07	90
Semi-Moist Dog Food	177,648	148,229	0.04	83	-8.1	-10.5	118,583	0.04	22,056	18.6	193,306	165,619	0.06	86
Pet Snacks	427,600	406,102	0.12	95	9.4	9.1	288,332	0.11	63,721	22.1	390,859	372,229	0.12	95
Cat Litter	476,826	357,219	0.11	75	8.2	8.7	278,631	0.11	70,772	25.4	440,691	328,628	0.11	75
Tobacco Products	31,726,582	14,843,321	4.53	47	7.7	7.3	11,197,915	4.37	1,746,875	15.6	29,473,858	13,937,912	4.49	47
Cigarettes	30,008,800	14,361,631	4.35	48	8.2	7.6	11,058,456	4.31	1,603,476	14.5	27,747,861	13,358,564	4.30	48
Filter-Tipped Cigarettes	28,634,867	13,666,859	4.14	48	8.7	8.3					27,343,042	12,919,445	4.06	48
Other Cigarettes	1,373,913	694,772	0.21	50	-6.2	-6.0					1,404,819	739,119	0.24	53
Cigars	624,337	72,251	0.02	11	1.5	2.1	37,571	0.01	7,927	21.1	615,110	73,952	0.03	12
Other Tobacco Products ³¹	1,096,445	509,439	0.15	46	-1.3	0.8	101,888	0.04	18,034	17.7	1,110,887	505,396	0.17	45
Total Dry Grocery—Nonfood	\$69,454,869	\$44,732,583	13.36	64	7.1	6.5	\$33,277,631	12.9	\$5,757,065	17.3	\$64,891,637**	\$42,038,602**	13.50	65

HEALTH & BEAUTY AIDS

(add 000 to all dollar figures)	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ⁴ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
Dieting Aids	\$555,129	\$308,023	0.09	55	18.9	39.2	\$169,413	0.06	\$40,998	24.2	\$467,064	\$221,361	0.08	47
Diet Supplements	144,864	97,508	0.03	67	6.6	6.9					135,895	91,214	0.03	67
Metered Calorie Meals ³²	191,200	151,955	0.04	79	110.8	135.6					90,702	64,497	0.03	71
Reducing Preparations	219,065	58,560	0.02	27	-8.9	-10.8					240,467	65,650	0.03	27
Cosmetics	5,498,438	704,413	0.21	13	7.0	4.1	524,647	0.20	167,887	32.0	5,142,306	676,659	0.22	13
Eye Makeup Products	2,898,986	596,041	0.18	20	3.3	2.7	441,070	0.17	140,701	31.9	2,807,611	580,651	0.19	21
Eye Shadow	1,078,568	235,340	0.07	22	-1.8	2.5					1,059,497	229,600	0.08	22
Eyeliners	296,200	59,418	0.02	20	3.9	2.1					285,082	58,196	0.02	20
Mascara Preparations	1,283,893	254,023	0.08	20	4.7	3.1					1,226,259	246,385	0.08	20
Other Eye Prep. & Accessories ³⁴	240,325	47,260	0.01	20	1.5	1.7					236,773	46,470	0.02	20
Lipstick (8 Gloss)	1,591,640	56,336	0.02	3	12.1	14.6	43,942	0.02	13,842	31.5	1,419,839	49,159	0.02	3
Makeup Bases	820,518	43,281	0.01	5	9.9	10.8	32,894	0.01	11,151	33.9	746,879	39,074	0.02	5
Cake	76,903	3,898	0.00	5	2.8	2.4					74,808	3,807	0.01	5
Cream	227,468	10,882	0.00	5	7.9	8.1					210,814**	10,067	0.01	5
Lotion	516,147	28,501	0.01	5	11.9	13.1					461,257	25,200	0.01	5
Press Cake Powder & Blush	187,294	8,755	0.00	4	11.5	12.6	6,741	0.00	2,231	33.1	167,977	7,775	0.01	5
Family Planning	644,326	86,822	0.02	14	12.4	14.5	80,235	0.03	34,260	42.7	573,423	77,575	0.03	13
Condoms	242,314	42,225	0.01	17	6.1	7.8	35,891	0.01	18,735	52.2	228,383	39,170	0.02	17
Female Contraceptives ³⁵	61,530	9,720	0.00	16	-0.4	3.5	8,942	0.00	3,156	35.3	61,777	9,391	0.01	
Home Pregnancy Tests	340,482	36,877	0.01	11	20.2	27.1	35,402	0.01	13,099	37.0	283,263	29,014	0.01	10
Feminine Hygiene Products	1,616,636	1,059,600	0.32	58	6.2	6.9	925,297	0.36	215,594	23.3	1,711,640	991,189	0.32	58
Douches	69,697	28,810	0.01	41	5.6	6.5	27,081	0.01	7,474	27.6	66,046	27,073	0.01	41
Liquid Douches	39,802	15,659	0.00	39	5.7	6.1					37,656	14,759	0.01	39
Powder Douches	29,895	13,151	0.00	44	5.3	6.8					28,390	12,314	0.01	44
Sanitary Napkins	1,130,820	677,159	0.20	60	6.3	7.4	636,529	0.25	158,496	24.9	1,063,801	630,502	0.21	59
Tampons	616,119	353,631	0.11	57	5.9	6.0	261,687	0.10	40,300	15.4	581,793	333,614	0.11	57

31 Bird food and other pet accessories listed under General Merchandise.

34 Includes false eyelashes, adhesives, brushes, tweezers, etc.

32 Includes pipe and cigarette tobacco, smokeless products and snuff. Excludes smoking accessories.

35 Includes sponges and all other non-Rx contraceptives.

33 Does not include frozen foods.

NCE — Not classified elsewhere.

** Represents a revision of the 1988 figures previously published.

HEALTH & BEAUTY AIDS

CONTINUED

	1989								1988					
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ³ Change from '88 to '89 ²		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
(add 000 to all dollar figures)														
Hair Products	4,641,352	1,808,569	0.55	39	7.3	6.5	1,656,812	0.64	500,357	30.2	4,325,531	1,699,487	0.55	39
Coloring Preparations	611,663	106,737	0.03	13	11.3	2.9	96,063	0.04	26,609	27.7	729,257	103,729	0.04	14
Cream Rinses	168,979	93,950	0.03	55	8.0	6.0	93,478	0.03	22,248	23.8	156,462	88,632	0.03	57
Dandruff Rinses	18,040	6,564	0.00	36	10.0	8.7					16,400	6,039	0.01	37
Men's Hair Dressing	128,877	64,865	0.02	50	-1.9	1.7	59,676	0.02	17,962	30.1	131,448	66,011	0.03	50
Men's Hair Spray	40,231	17,359	0.00	43	0.9	1.6					39,872	17,086	0.01	43
Other Men Hair Dressings	88,646	47,506	0.01	53	-3.2	-2.9					91,576	48,925	0.02	53
Shampoos	1,400,324	678,044	0.26	63	9.7	8.5	816,581	0.32	219,660	26.9	1,276,976	809,582	0.27	63
Baby Shampoo	97,915	77,241	0.02	79	10.2	8.3					88,852	71,321	0.03	80
Color Shampoo	8,920	2,194	0.00	24	3.9	4.0					8,585	2,110	0.01	24
Medicated Shampoo	377,040	208,628	0.06	55	11.3	12.6					336,760	185,282	0.06	55
Other Shampoo	916,449	589,981	0.18	64	9.0	7.1					840,779	550,869	0.18	65
Hair Accessories	1,000,339	216,651	0.06	21	2.9	3.2	192,819	0.07	95,252	49.4	972,808	209,943	0.07	22
Barrettes	105,608	13,919	0.00	13	5.6	5.8					100,008	13,156	0.01	13
Bobby Pins	39,192	10,259	0.00	26	-0.2	0.0					39,349	10,259	0.01	26
Combs	206,789	24,364	0.01	12	2.9	4.3					200,961	23,360	0.01	12
Curiers & Rollers	152,563	30,306	0.01	20	2.9	3.8					148,263	29,366	0.01	20
Hair Brushes	352,100	115,086	0.03	32	-3.7	3.1					339,537	110,979	0.04	33
Hair Nets	35,597	3,984	0.00	11	-0.6	-1.1					35,957	4,028	0.01	11
Pin Curl Clips	26,354	9,659	0.00	34	-1.5	-1.2					26,757	9,766	0.01	34
Pony Tails	80,136	9,074	0.00	11	0.2	0.5					79,976	9,029	0.01	11
Home Permanent Kits, Retills	140,871	24,628	0.01	17	5.0	2.9	21,919	0.01	6,378	29.1	134,163	23,934	0.01	18
Waveset Preparation	54,557	15,436	0.00	28	16.7	18.3	12,194	0.00	3,475	28.5	46,750	13,408	0.01	29
Women's Hair Conditioners	355,305	158,009	0.05	44	6.7	7.2	137,468	0.05	37,804	27.5	332,994	147,396	0.05	44
Women's Hair Spray	497,548	227,353	0.07	45	6.3	5.4	213,712	0.08	59,198	27.7	468,060	215,705	0.07	46
Other Hair Dressings	64,849	16,332	0.00	25	7.7	8.1	12,902	0.00	3,651	28.3	60,213	15,108	0.01	25
Health Aids	1,204,223	553,853	0.17	46	3.6	3.1	455,637	0.18	135,383	29.7	1,162,939	537,343	0.18	46
Baby Oils & Lotions	107,947	87,176	0.03	81	-3.0	-2.8	71,484	0.03	19,729	27.6	111,286	89,687	0.03	81
Baby Pants	61,388	8,266	0.00	13	1.4	-1.8	6,778	0.00	2,698	39.8	62,260	8,418	0.01	13
Baby Powder	101,526	48,152	0.01	47	6.9	6.3	39,485	0.01	9,081	23.0	94,973	45,298	0.02	48
Cotton Swabs	99,876	61,747	0.02	62	1.4	1.8	50,633	0.02	15,240	30.1	98,499	60,655	0.02	62
Diaper Rash Products	45,171	26,291	0.01	58	10.9	12.1	21,559	0.01	5,972	27.7	40,731	23,453	0.01	58
Fever Thermometers	40,738	15,072	0.00	37	6.1	9.5	12,359	0.00	4,288	34.7	38,396	13,764	0.01	34
First Aid Products	584,959	262,512	0.08	45	2.8	3.1	215,260	0.08	64,793	30.1	569,360	254,833	0.09	45
Adhesive Bandages	227,938	118,890	0.03	52	2.9	3.1					221,514	115,315	0.04	52
Adhesive Tapes	78,605	46,719	0.01	59	1.6	1.9					77,367	45,848	0.02	59
Cotton Balls	89,555	32,814	0.01	36	2.5	2.8					87,371	31,920	0.02	36
First Aid Kits	43,577	23,439	0.01	54	5.6	6.1					41,188	22,091	0.01	54
Gauze Bandages	52,214	12,907	0.00	25	4.3	4.8					50,061	12,316	0.01	25
Gauze Dressings	57,792	12,735	0.00	22	-1.7	1.9					56,826	12,498	0.01	22
Other First Aid Cotton	35,278	15,008	0.00	42	0.7	1.1					35,033	14,845	0.01	42
Nipples & Patches	53,633	19,109	0.00	35	12.3	10.4	18,918	0.01	6,848	36.2	47,759	17,309	0.01	36
Nursing Bottles	55,318	8,065	0.00	14	11.6	10.8	6,613	0.00	2,328	35.2	49,568	7,279	0.01	15
Disposable Bottle Liners	53,665	17,463	0.00	32	7.1	4.9	12,748	0.00	4,538	35.6	50,107	16,647	0.01	33
Nail Care Products	629,470	119,478	0.03	19	7.2	6.3	94,388	0.04	31,148	33.0	587,483	112,401	0.04	19
Manicure Implements	201,694	56,129	0.02	28	5.3	5.8					191,542	53,052	0.02	28
Nail Polish & Enamel	370,420	50,578	0.01	13	8.9	7.7					340,147	46,962	0.02	14
Nail Polish Remover	57,356	12,771	0.00	22	2.6	3.1					55,794	12,387	0.01	22
Oral Hygiene Products	2,826,131	1,540,262	0.47	54	4.4	3.8	1,335,693	0.52	235,082	17.6	2,707,452	1,484,730	0.48	55
Denture Products	321,895	133,770	0.04	41	0.8	0.8	133,705	0.05	32,490	24.3	319,315	132,824	0.05	42
Denture Adhesives	146,134	55,840	0.02	38	2.3	2.9					142,848	54,266	0.02	38
Denture Cleaners	175,761	77,929	0.02	44	-0.4	-0.8					176,467	78,558	0.03	44
Mouthwash & Gargles	719,699	394,777	0.12	55	2.9	3.4	343,456	0.13	56,327	16.4	699,416	351,796	0.13	55
Breath Fresheners	24,604	11,940	0.00	48	13.7	8.9	9,791	0.00	3,133	32.0	21,639	10,964	0.01	51
Toothbrushes	427,202	150,712	0.04	35	15.6	13.8	123,584	0.05	38,558	31.2	369,552	132,436	0.05	36
Toothpaste & Powder	1,246,492	814,783	0.25	65	1.9	2.4	725,157	0.28	102,972	14.2	1,223,250	795,687	0.26	65
Dental Floss	86,239	34,280	0.01	40	16.1	10.5	25,024	0.01	9,659	38.6	74,280	31,023	0.01	42
Packaged Medications	8,899,583	3,168,791	0.96	35	5.8	8.6	2,597,645	1.01	615,642	23.7	8,413,043	2,915,883	0.94	35
Acne Preparations	222,465	42,456	0.01	19	2.7	3.1	35,234	0.01	10,887	30.9	216,616	41,179	0.02	19
Aerosol Antiseptics	91,841	17,853	0.00	19	8.9	9.1					84,335	16,364	0.01	19
Athlete's Foot Medications	134,348	34,033	0.01	25	9.9	9.3					122,246	31,137	0.02	25
Burn Remedies	56,799	15,877	0.00	28	10.6	10.3	100,760	0.04	34,964	34.7	51,355	14,394	0.01	28
External Antiseptics	31,959	6,517	0.00	20	9.4	9.2					29,213	5,968	0.01	20
Foot Salves, Ointments	77,454	18,310	0.00	23	3.9	4.7					74,547	17,158	0.01	23
Poison Ivy Remedies	68,890	16,680	0.00	24	9.1	10.3					63,144	15,122	0.01	24
Antacids	901,723	415,221	0.12	46	1.8	2.1	361,242	0.14	88,865	24.6	885,892	406,935**	0.14	46
Effervescent Antacids	102,000	60,481	0.02	59	2.0	2.0					100,000	59,295	0.02	59
Liquid Antacids	386,334	160,370	0.05	41	1.2	1.5					381,000	158,000	0.06	41
Powder Antacids	6,010	2,695	0.00	45	2.0	2.1					5,892	2,640	0.01	45
Tablets, Pills, Gum, Lozenges	407,379	191,675	0.06	47	2.1	2.5					399,000	187,000	0.07	47

36 Includes comb clips.

38 Liquids and sprays only.

37 Excludes products intended for professional use.

** Represents a revision of the 1988 figures previously published.

HEALTH & BEAUTY AIDS

CONTINUED

	1989						1988					
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ⁴ Change from '88 to '89		Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total		
(add 000 to all dollar figures)					Total ¹	Grocery ²						
Cold Capsules, Tablets	832,101	457,315	0.14	55	5.9	5.1	785,742	435,124	0.14	55		
Cough Medications	1,403,772	280,474	0.08	20	7.8	7.2	1,302,954	261,820	0.09	20		
Cough Drops, Lozenges, Troches	417,632	94,240	0.03	22	8.7	4.8	384,338	89,942	0.03	23		
Cough Drops	252,864	84,242	0.02	33	8.9	4.8	232,198	60,384	0.03	35		
Lozenges, Troches	164,768	9,998	0.00	6	8.3	4.6	152,140	9,558	0.01	6		
Salves, Ointments ⁴¹	58,888	21,541	0.00	36	3.6	3.9	56,842	20,732	0.01	36		
Syrups, Elixirs, Expectorants	639,447	141,099	0.04	22	9.3	9.6	585,038	128,740	0.05	22		
Other Cough/Cold Remedies ⁴²	287,805	23,594	0.01	8	4.0	5.3	276,736	22,406	0.01	8		
Nasal Sprays & Drops	194,467	23,932	0.01	12	1.3	0.9	191,991	23,719	0.01	12		
Anaesthetics	2,722,638	1,192,003	0.36	44	3.5	3.4	2,632,643	1,153,141	0.38	44		
Internal Anaesthetics	2,392,340	1,087,966	0.33	45	3.0	3.0	2,322,938	1,056,933	0.35	45		
Arthritic	102,614	33,363	0.01	32	2.0	2.5	100,602	32,549	0.02	32		
Extra Strength	1,115,627	546,614	0.16	49	2.0	1.6	1,093,752	538,006	0.18	49		
Menstrual Pain	65,773	30,915	0.01	47	0.0	0.3	65,773	30,823	0.01	47		
Pediatric	104,913	44,217	0.01	42	1.0	1.6	103,874	43,521	0.02	42		
Regular Strength	752,304	327,271	0.10	43	1.3	2.0	742,650	320,554	0.11	43		
Sinus	251,109	105,586	0.03	42	16.1	15.8	216,287	91,180	0.03	42		
External Anaesthetics	330,298	104,037	0.03	42	6.7	8.2	309,705	96,208	0.04	31		
Mouth Anaesthetics ⁴³	190,485	61,900	0.02	32	10.6	12.1	172,229	55,219	0.02	32		
Other External Anaesthetics	139,813	42,137	0.01	30	1.7	2.8	137,476	40,989	0.02	30		
Diarrhea Remedies	189,087	103,828	0.03	55	17.0	19.1	161,613	87,177	0.03	54		
Hemorrhoidal Medications	225,968	67,905	0.02	30	5.6	6.8	214,040	63,583	0.03	30		
Hemorrhoidal Suppositories	130,851	40,740	0.01	31	6.9	8.1	122,405	37,687	0.02	31		
Hemorrhoidal Ointment	95,117	27,165	0.01	28	3.8	4.9	91,635	25,896	0.01	28		
Laxatives	688,073	165,584	0.05	24	5.8	6.4	650,353	155,624	0.06	24		
Eye Lotions, Washes	157,486	78,416	0.02	50	5.0	4.0	149,987	75,400	0.03	50		
Contact Lens Care Products ⁴⁴	819,746	193,130	0.06	23	13.6	19.1	721,607	162,158**	0.03	11		
Sleeping Aids (Non-Rx)	80,746	36,257	0.01	45	8.0	7.3	74,765	33,790	0.02	45		
Personal Cleanliness Products	208,472	48,188	0.01	23	-2.8	-2.1	214,568	49,218	0.2	23		
Bath Sals, Tablets, Oils, Bubble Bath	127,153	37,799	0.01	30	-2.6	-2.0	130,647	38,584	0.02	29		
Bubble Bath	74,533	27,960	0.01	37	-2.3	-1.8	76,288	28,472	0.01	37		
Other Sals, Oils, Tablets	52,620	9,839	0.00	18	-3.2	-2.7	54,359	10,112	0.01	19		
Talcum & Body Powder	81,319	10,389	0.00	13	-3.1	-2.3	83,921	10,634	0.01	13		
Personal Deodorants, Antiperspirants	1,279,623	708,835	0.21	55	3.0	3.3	1,242,616	686,313	0.23	55		
Stick Deodorants	571,503	344,151	0.10	60	5.0	4.8	544,289	328,388	0.11	60		
Roll-On Deodorants	334,623	151,822	0.04	45	-2.1	-1.0	341,801	153,356	0.05	45		
Feminine Sprays	8,612	4,170	0.00	48	3.1	1.8	8,353	4,096	0.01	49		
Other Aerosols	364,885	208,692	0.06	57	4.8	4.1	348,173	200,473	0.07	56		
Shaving Products	1,963,475	662,060	0.20	33	6.6	4.7	1,861,974	632,748	0.21	34		
After Shave Lotion	343,041	111,467	0.03	32	6.1	4.2	323,319	106,974	0.04	33		
Depilatories	29,145	10,356	0.00	35	-1.3	-2.1	29,529	10,578	0.01	36		
Pre-Shave Product	28,379	11,928	0.00	42	6.1	6.5	26,747	11,200	0.01	42		
Razor Blades	444,252	203,542	0.06	37	4.0	1.4	427,165	200,732	0.07	47		
Razors (Handles)	51,165	17,321	0.00	34	19.1	15.8	042,960	14,958	0.01	35		
Disposable Razors	302,270	169,110	0.05	56	13.8	10.9	265,615	152,489	0.05	57		
Shaving Cream	251,353	105,421	0.03	42	-0.2	-0.6	251,857	106,057	0.04	42		
Men's Cologne	533,870	32,915	0.01	6	7.9	10.6	494,782	29,760	0.01	6		
Skin Care Products	2,181,910	539,210	0.16	25	12.2	9.6	1,945,339	491,952	0.16	25		
Face Cream	808,600	163,001	0.05	20	11.3	9.9	762,505	148,318	0.05	20		
Face Lotions & Astringents	136,625	15,085	0.00	11	10.8	9.5	123,308	13,776	0.01	11		
Hand & Body Lotions	565,712	220,594	0.06	39	13.8	8.7	497,111	202,938	0.07	41		
Hand Creams	36,857	8,839	0.00	24	10.0	8.0	33,506	8,184	0.01	24		
Lip Protectors	40,737	12,508	0.00	31	-3.0	-2.1	41,997	12,776	0.01	30		
Liquid Face Cleansers	121,073	33,418	0.01	27	11.1	9.7	108,977	30,463	0.01	28		
Suntan/Sunscreen Products	472,306	85,765	0.02	18	14.1	13.6	413,940	75,497	0.03	18		
Vitamins & Tonics	1,635,260	631,512	0.19	38	1.8	2.3	1,606,346	617,314	0.20	38		
Other Health & Beauty Aids ⁴⁵	2,535,369	1,180,679	0.36	46	5.7	6.2	2,398,646	1,111,750	0.36	46		
Total Health & Beauty Aids (non-Rx)	\$36,539,397	\$13,119,295	3.98	34	6.4	5.9	\$34,360,370	\$12,399,954**	3.96	36		
Prescriptions ⁴⁶	\$25,810,200	\$2,693,707	0.82	10	10.3	26.3	\$23,400,000	\$2,132,785	0.69	9		
Total HBA & Prescriptions	\$62,349,597	\$15,813,002	4.79	25	8.0	8.9	\$57,760,370	\$14,532,739**	4.65	25		

39 Excludes analgesics

40 Includes antihistamines, room decongestants, inhaler tubes and other inhalers

41 Includes liquids and salves for use on lips and gums for blisters, teething and tooth pain, and canker sores

42 Includes solutions, cleansing kits, tablets and cases

43 Includes vaporizers, humidifiers and other health aid appliances, convalescent aids, home diagnostic tests, women's fragrances, etc.

44 Excludes sales through hospitals

— Not available

** Represents a revision of the 1988 figures previously published

GENERAL MERCHANDISE

	1989										1988			
	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total	Percentage ¹ Change from '88 to '89		Amount Spent in Supermarkets	% of Total Supermarket	\$ Margin	% Margin	Value ¹ of Total Retail Sales (all outlets)	Amount Spent in Grocery Stores ²	% of Total Store	% Gro. ³ to Total
(add 000 to all dollar figures)					Total ¹	Grocery ²								
Audio & Video	\$10,314,847	\$990,221	0.30	9	8.0	11.3	\$604,035	0.23	\$226,929	37.9	\$9,551,666	\$890,200	0.29	9
Records, Tapes, Compact Disks ⁴⁵	3,356,750	266,171	0.08	8	9.7	3.8					3,059,936	256,427	0.09	8
Blank Audio Cassettes	494,251	14,175	0.00	3	5.3	2.6					469,374	13,816	0.01	3
Blank Video Cassettes	1,657,846	114,989	0.03	7	8.9	13.5					1,522,356	101,312	0.04	7
Video Cassette Rentals ⁴⁶	4,806,000	594,886	0.18	12	6.8	14.7					4,500,000	518,645	0.17	11
Auto Supplies	2,235,066	\$63,576	0.11	16	2.3	-6.8	319,949	0.12	66,869	20.9	2,185,817	390,162	0.13	18
Antifreeze	611,379	91,987	0.03	15	6.1	-13.8					576,229	106,713	0.04	18
Automobile Polish	141,812	36,286	0.01	25	-3.7	-6.2					147,261	38,684	0.02	26
Automotive Additives	182,261	31,408	0.01	17	1.6	1.2					179,391	31,036	0.01	17
Motor Oil	1,299,614	203,897	0.06	15	1.3	-4.6					1,282,936	213,729	0.07	17
Electrical Appliances ⁴⁷	ND	261,007	0.08	—	—	14.8	242,737	0.09	75,977	31.3	ND	227,358	0.08	—
Flashlights & Batteries	3,190,141	506,734	0.16	18	7.9	3.1	539,993	0.21	213,837	39.6	3,152,945	568,764	0.19	19
Batteries	3,002,791	567,968	0.17	19	8.8	3.1					2,759,918	550,890	0.18	20
Flashlights	397,350	38,766	0.01	10	1.1	2.3					393,027	37,894	0.02	10
Greeting Cards	4,661,334	908,955	0.19	13.0	5.0	8.9	590,890	0.23	297,117	50.3	4,439,842	559,191	0.16	13
Hardware ⁴⁸	ND	260,325	0.08	—	—	6.1	252,615	0.10	91,410	36.2	ND	245,358	0.08	—
Housewares	5,236,588	1,296,145	0.38	NC	5.8	4.7	1,985,539	0.73	792,854	42.5	4,952,249	1,200,590	0.39	24
Bakeware	1,676,393	148,874	0.04	9	3.3	4.0					1,622,839	143,148	0.05	9
Barbecue Grills	676,436	4,488	0.00	6	11.3	10.6					607,759	4,058	0.01	67
Beverageware	485,480	74,537	0.02	15	2.3	-1.9					496,909	75,981	0.03	15
Cutlery	673,003	64,589	0.02	9	12.2	14.3					599,824	56,508	0.02	9
Food Preparation Glassware	537,016	70,995	0.02	13	3.0	1.9					521,375	69,671	0.03	13
Kitchen Towels	24,572	8,307	0.00	34	18.9	13.1					20,666	7,345	0.01	35
Kitchen Utensils Gadgets	ND	221,547	0.07	—	—	7.4					ND	206,282	0.07	—
Microwave Cookware	ND	74,195	0.02	—	—	20.8					ND	93,680	0.04	—
Ornamental & Novelty Glassware	174,788	7,421	0.00	4	3.0	1.8					169,697	7,290	0.01	4
Plastic & Rubberware	ND	465,202	0.14	—	—	8.6					ND	428,363	0.14	—
Pots & Pans	819,326	80,509	0.02	10	6.1	3.8					772,222	77,658	0.03	10
Tableware	169,572	35,381	0.01	21	20.3	15.6					140,958	30,606	0.01	22
Other Housewares ⁴⁹	ND	667,051	0.20	—	—	6.4					ND	626,965	0.21	—
Periodicals	11,610,011	2,018,066	0.81	17	6.0	9.5	1,634,635	0.64	468,756	29.9	10,955,188	1,844,072	0.60	17
Children's Story Books	539,330	135,028	0.04	25	7.5	13.5					501,702	118,967	0.04	24
Coloring Books	234,953	31,607	0.01	13	0.8	2.5					233,088	30,836	0.01	13
Comics	136,564	40,976	0.01	30	6.0	3.8					128,834	39,476	0.02	31
Magazines ⁵⁰	2,814,554	1,585,200	0.48	56	8.1	10.0					2,603,658	1,441,091	0.47	55
Newspapers ⁵¹	6,034,742	73,362	0.02	1	3.8	-4.0					5,813,817	70,540	0.03	1
Paperback Books	1,849,868	151,895	0.04	8	10.5	6.1					1,674,089	143,162	0.05	8
Other Merchandise	4,799,127	585,857	0.18	NC	10.6	10.1	451,156	0.17	197,155	43.7	4,341,615	532,278	0.16	12
Disposable Cigarette Lighters	335,445	141,192	0.04	42	5.1	5.2	114,366	0.04	48,491	42.4	319,167	134,213	0.05	42
Garden Seed Packets	111,017	59,761	0.02	54	2.5	2.7	53,784	0.02	25,655	47.7	108,309	58,190	0.02	54
Playing Cards	230,961	35,300	0.01	15	5.0	16.1	20,474	0.01	7,903	38.6	219,963	30,405	0.01	14
Road Salt & Ice Pellets	ND	22,386	0.01	—	—	8.4	18,133	0.01	7,144	39.4	ND	20,651	0.01	—
Sewing Notions	1,686,540	65,919	0.02	4	9.9	11.9	54,713	0.02	24,457	44.7	1,534,613	58,909	0.02	4
Shoe Laces	74,054	38,342	0.01	52	7.1	6.5	15,720	0.01	4,684	29.8	69,145	36,002	0.02	52
Sunglasses	1,846,155	146,662	0.04	8	15.0	18.3	112,930	0.04	58,385	51.7	1,605,352	123,975	0.03	4
Vacuum Bottles & Jugs	514,955	76,295	0.02	15	6.2	9.1	61,036	0.02	21,501	35.8	485,066	69,933	0.03	14
Picnic Jugs	149,509	25,678	0.01	17	9.6	9.9					136,413	23,365	0.02	17
Vacuum Bottles	295,831	36,193	0.01	12	4.3	4.7					283,635	34,568	0.02	12
Lunch Boxes	69,615	14,424	0.00	21	7.1	20.2					65,000	12,000	0.01	18

45

Includes LPs, EPs, 45s, cassettes, 8-track and disc.

46

Does not include sales of pre-recorded video cassettes, or rentals of video cassette equipment.

47

Includes all electrical appliances other than health aid appliances. Also includes portable radios, tape players and personal stereos.

48

Includes non-electric tools, fasteners, paint supplies (not paint), and wiring devices.

49

Includes bar accessories, plastic items, potholders, oven mitts, etc.

50

Does not include subscription sales.

51

Includes sales from all outlets, including subscriptions and home delivery.

ND - Not determined.

— Not available.

As bakery growth slows, stores are trying harder than ever to find ways to entice customers to shop the department. Meanwhile, the setback suffered by oat bran has not lessened customers' enthusiasm for switching to products with healthier ingredients.



Illustration: Paulette Bogan

B KERY

■ In supermarket bakeries, even more than in delis, the appeal is to the senses.

Indeed, the heady aroma of hot, freshly baked bread, cookies, cakes, rolls, and pies may be the most powerful natural merchandising tool in the supermarket business. It is estimated that up to two-thirds of instore bakery purchases are made on impulse.

Unfortunately, statistics also indicate that fewer than one-third of weekly supermarket shoppers—27.9 percent—buy from bakery departments (with an average transaction of \$2.02). And so, the greatest challenge awaiting operators is take the sights and smells, the convenience and the quality, the pastry and the packaging of their bakeries and create a mix that will make sales rise.

"That's one of the tricks everybody's working on," says Bill Arnold, vice president of marketing and sales for Coun-

try Home Bakers (Bridgeport, Conn.). "Our research has told us that the more convenient you make your department, the better sales will be. That's one answer."

Sales growth slows

In-store bakery sales reached \$6.64 billion in 1989, an increase of 8.7 percent over 1988. The year before, however, sales jumped nearly 28 percent, to \$6.11 billion.

Industry observers blame the slower growth largely on the decline in the number of new bakery unit openings—only 190, as compared with 1,180 in 1988. The freewheeling expansion of two years ago is not likely to be seen again: At least 65.9 percent of all supermarkets already have bakery departments.

Impending saturation, however, fails to fully explain the slowing of sales growth. Weekly average bakery sales rose 7.6 percent last year, to

\$6,311. But just one year earlier, sales shot up 20.3 percent, to \$5,868.

Overall, according to the International Dairy-Deli Association's "What's in Store" report, bakeries contributed about 2.6 percent of total store sales and 5.2 percent of profits in 1989. Profit margins averaged about 53.2 percent, down from the 1988 figure 54.9.

"Since so many stores have bakeries," notes Carol L. Christison, the executive director of the Madison, WI-based IDDA, "the quality of the product becomes the deciding factor among the competition."

"Operators have got to realize that we will all perform better, and provide better service, if we begin to merchandise over the counter," says Phil Crow, vice president of sales and marketing for Dawn Food Products Inc. (Jackson, Mich.). "End-user merchandising is becoming

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popular again, and I applaud that.

Mona Doyle, president of Consumer Network Inc. (Springfield, Mo.), which tracks consumer trends, told attendees at the IDDA's recent 26th annual seminar and exposition in Baltimore that one major obstacle to the continued growth of instore bakeries has been the overwhelming nationwide labor shortage.

Labor the biggest problem

According to SUPERMARKET BUSINESS's Eighth Annual Bakery Operations Review, the cost of bakery labor rose last year to 31.9 percent of sales. Average weekly sales per employee rose to \$809, up from \$742 the year before.

"Labor is the number one problem in this industry," says Will Bellar, president and chief operating officer of Hazelwood Farms Bakeries Inc. (Hazelwood, Mo.), a wholly owned subsidiary of Wetterau Co. "And it's not just the lack of skilled labor. It's also the lack of entry-level training of people who work in bakeries."

Bakery labor is a subject Bellar knows something about. He has served as chairman of James Borck Deli Bakery Educational Foundation for the last two years, and chairman of IDDA's Education Committee—which eventually became the Borck Foundation—from 1982 to 1988.

"We're finding out from a lot of retailers across the country that they are running into the problem of finding skilled labor," says Judy Streigel, senior product manager for Rich Products Corp. (Buffalo, N.Y.). "When you can't find skilled people, you've got to see if you can at least find people who are interested in learning bakery production. But it takes time and money to train those people."

"We have to work at making the baking industry a career," adds Streigel. "Young people have to begin to look at it as more of a profession than just another job."

"Operators eventually have to loosen up on the labor-cost side," says Dawn Foods' Crow,

"and realize we'll have to pay a little more for good people. They've got to invest in training."

The major reason for the industry's 100-to-400 percent bakery turnover rate, says Bellar, is that employees "don't understand their jobs. They're not sure what they're supposed to be doing, or where it will lead careerwise." Hazelwood recently introduced several products, including new 2.75-ounce muffins, Hawaiian sweet bread and sweet rolls, and tubed loaf cakes.

According to other bakery specialists attending the IDDA show, the increasing number of bakeries may also be contributing to their slowing growth. Almost every store's got one. So now, more than ever, they stressed, operators must find new and creative ways to draw customers to their bakery. One way is by paying strict attention to ever-evolving consumer trends.

In bakeries, as in other departments, more healthful products seem to be the overwhelming choice of both consumers and suppliers. As in most other product segments, manufacturers are widening their product lines by offering items that are low in salt, fat, and cholesterol. And they are going to great expense to advertise and market that difference.

Healthier choices

"Obviously, there's been a lot of discussion about the whole no-fat issue," says Ted Leavitt, vice president of marketing for Grand Metropolitan Foodservice Minneapolis, Minn.), which sells Pillsbury baking products to instore bakeries. "But just a short while ago, the FDA issued proposed regulations to redefine what no-fat is and isn't. They're suggesting stricter fat measurements be used. That raises questions as to what strategies to use."

"We see customers looking for more healthful foods, products with less fat," says Barry Scher, a vice president

with Giant Foods Co. (Landover, Md.). "We're making a concerted effort at Giant to provide more nutritious bakery products, as well as products in other departments."

Shirley Craig, bakery manager for Larry's Markets, reported to the IDDA that her company introduces healthful items carefully.

"We want to make sure that our products are healthful," she said. "For example, we sweeten our oat bran muffins with natural sweeteners, and use only canola oil in our baking. We also have a local hospital analyze our recipes."

In addition, said Craig, her company distributes product information sheets that include nutrient value.

Some industry insiders, however, such as Streigel, lack the abounding faith in the healthier-foods market that others have. "How long can it last?" Streigel asks. "I can't honestly tell you. Probably at least through 1991. I don't think it's a fad, but I do think the niche everyone's looking for is rather small."

"The bakery falls nicely into the concept of health-conscious consumers who want an occasional indulgence, especially of high-quality baked goods," notes Christison.

"Health is certainly a valid concern," adds Streigel, "but on the other hand, I just read that chocolate consumption is up. From a realistic standpoint, people are saying, 'Hey, let's get some balance in my life. It's okay if I have dessert'."

Dawn Food Products has just rolled out several health-focused items, including reduced-fat sugar and oatmeal cookies, muffins, and bran muffin mixes. Four new items are expected to be added to the line soon.

The "grab-and-go" generation

Another dining trend that supermarkets can take advantage of is "grazing," or the consumption of smaller, portable, single-serving items. Muffin and cookie sales, for

example, are up due largely to the convenience of eating them.

"We continue to see more and more interest in snacking-type items," William DeBrauwere, bakery merchandising manager for Grand Union Co. (Wayne, N.J.), told IDDA. "Smaller sizes and multiple-pack products are popular. It is not a matter of price, but convenience."

"He who figures out how to package single servings for less will win the hearts and dollars of seniors, singles, and the whole grab-and-go generation," says Doyle.

One way of doing that, says Country Home's Arnold, may be to offer instore deli products outside the department; on food and salad bars, for instance. "Have you ever seen any bakery products at a salad bar? Only croutons and crackers. Why not move it to where they're buying?"

Country Home recently rolled out a line of six-inch Petite Pies in four varieties; two new combination pies, blueberry-peach and apple-raisin-walnut; and a line of 11 celebration cakes. It is also developing a merchandising program to go with its year-old Warme Bakker (Dutch for "freshly baked") product.

According to SUPERMARKET BUSINESS's Bakery Operations Report, 54 percent of instore bakery sales come from self-service packaged goods; another 11 percent from self-service bulk goods; and 35 percent from service products. While 48 percent of respondents said they expected no change in that ratio, 33 percent said the trend would be more toward self-service.

Still, that leaves 19 percent of the operators increasing the amount of service they offer. The service aspect is crucial at Houston's AppleTree Markets, according to Don Admire, director of deli-bakery. "We think our instore bakeries benefit from that friendly personality behind the counter," Admire says. "We think one of the biggest draws is the customer contact."

AppleTree Markets recently switched from self-service to full-service in the bakery sections of 57 stores. The remaining 22 stores will also be converted, says Admire.

Prepackaged baked goods manufacturers, Doyle added,

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'Labor is the number one problem in this industry—not just the lack of skilled labor, but the lack of entry-level training of people who work in bakeries.'

Though growth has slowed, the deli department is still the beneficiary of consumers' need for convenience. Line extensions have also enabled delis to take advantage of the trend toward healthier eating.

D ELI



Illustration: Paulette Bogart

■ The instore deli has become, in the words of one industry executive, "the star of the supermarket show." And, like any star, it's getting VIP treatment from operators eager to perform before bigger and bigger audiences.

Deli sales continue to be strong, although evidence suggests growth may be slowing. Total instore deli sales in 1989 were \$11.13 billion, an increase of 16.5 percent over 1988, according to the International Dairy-Deli Association's "What's In Store" report. Year-to-year sales in 1988 increased 20.7 percent.

The slowing is attributed to a year-to-year drop in the number of new deli openings—from 900 in 1988 to just 500 last year. The total number of deli units now in operation is estimated at 20,000.

In addition, according to SUPERMARKET BUSINESS's Eighth Annual Service Deli Operations Review, average

weekly sales for supermarket deli departments rose to an all-time high of \$10,600 in 1989, a 13.6 percent increase.

A breakdown by store type shows that superstore delis averaged \$14,200 in sales per week (or 4.1 percent of total store sales), as compared with \$14,900 (or 2.7 percent of total sales), for superwarehouse stores. Average conventional store delis, however, notched just \$7,821 per week (or 5.5 percent of total store sales).

Trends aid growth

Among the trends that manufacturers and operators agree are helping instore delis evolve into a premier department are:

- While self-service is certainly enjoyed by harried, hurried shoppers, most consumers have come to expect, and indeed, demand, service. Operators, in turn, have been able to use it as a marketing tool.

- Prepared foods continue

to grow in popularity, and some believe the category's best days lie ahead. Thus far, though, results have been spotty, and vary greatly according to individual locations.

- Healthful products in all categories, from salads to cheeses and meats, are booming. Virtually every major manufacturer is developing line extensions that are low in fat, salt, and cholesterol, and rushing them into deli cases.

- Freshly prepared ethnic foods and an increase in overall variety are sparking sales.

- Refrigerated entrees show greater growth potential than do hot entrees.

- Convenience—in the form of such innovations as separate entrances and cash registers, fax machines and telephones for order taking, and location within the store—is and will continue to be a major factor in delis' growth.

- Deli sampling, demonstra-

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tions, and suggestive selling are proving very effective marketing tools.

- Packaging, both in size and composition, is becoming a more important consideration. While shoppers are demanding smaller packages and more portion control, ecological and waste-management concerns are likewise on the rise.

- Finding, keeping, training, and affording labor is increasingly difficult and expensive, and the forecast is that things will only continue to get worse.

- Food safety and sanitation have become major concerns for consumers and deli operators alike.

In addition, the Washington, D.C.-based Food Marketing Institute's "Trends: Consumer Attitudes and the Supermarket, 1990" report found that 72 percent of shoppers surveyed said that fresh sections, such as deli and bakery, were "very" or "somewhat" important to their choice of a store. The survey also found that 29 percent of shoppers "frequently" took advantage of deli carry-out items, while 40 percent did so only "occasionally."

Randy Earle, a general manager with Campbell Soup Co. (Camden, N.J.), notes that self-service will increase in deli departments, and that the trend toward healthier dining has not yet topped out. "Our belief," he says, "is that fresh refrigerated foods are just beginning to come into their own throughout the U.S."

Campbell recently rolled out its Fresh Kitchen line of no-preservative, no-MSG salads. "Not even the ingredients have preservatives," says Earle.

Another Campbell salad line, called Today's Edition, features seven cold salads, including Southern-style potato, sour cream potato, chicken, home-style slaw, macaroni, tuna, and cheddar cheese and macaroni.

Stephen G. Kouzomis, vice president of marketing-retail deli and foodservice division for Swift-Eckrich Inc. (Downers Grove, Ill.), says that instore delis "will continue their growth, but with more center-of-plate stuff: prepared

foods, upscale gourmet salads, and cheese varieties."

Also high on Kouzomis's list are healthier deli items. Swift-Eckrich recently introduced a Lite and/or Lean deli meats line, including roast beef, ham, bologna, turkey breast, turkey ham, and pastrami. The meats contain less fat, sodium, and cholesterol.

Jim Duchek, vice president of specialty foods for Schnuck Markets (Bridgeton, Mo.), notes that "the most significant trend in both our self-service and service deli departments certainly is not positive, it's negative: It's that people are eating less processed meat. It's really become noticeable over the last couple of years."

The sales have been lost

Duchek says, to healthier items, those with less fat, sodium, and cholesterol. In response to the trend, the company has expanded its Deli Lites offerings.

"The trend, in general, is to healthier foods," says Duchek. "It's just common sense."

Value-added services

Even more important to continued deli growth, Swift-Eckrich's Kouzomis says, is providing shoppers with value-added services, convenience, better portion control, and advertising backup that will draw them to the delis.

"The convenience factor has to be addressed," says Kouzomis. "Customers get impatient waiting on line; they want to pay right away. Maybe the answer lies in things such as drive-thru windows, or moving the deli up front, using phones and fax machines, or having separate express checkouts during lunch. All of these things indicate more service to the deli shopper. But at the same time, it also means more labor having to become more efficient."

In addition, Kouzomis says, value-added service must increase. "Manufacturers have to bring more than price to operators, including such things as offering recipes, meal suggestions, or training."

Joe Salvatore, vice president of deli merchandising for Grand Union, points to the

importance of both convenience and health factors.

"Obviously, our company is totally committed to delis," he says. "All our major renovations and retrofits include delis."

"We feel the customers' desire for convenient foods—ready to eat, or heat and serve—is still there, and it's getting stronger. We're very strong with hot foods."

"We also feel the healthy aspect of the food is still paramount, and becoming more important in many people's minds. Products such as light salads, pasta salads, and poultry will continue to get stronger."

Bob Levine of Manor Hill Foods Inc. (Baltimore, Md.)

says that "component salads," those requiring only partial instore preparations, are part of the value-added services that manufacturers must provide operators.

Manor Hill's Gourmet Beginnings line of 18 refrigerated salad

bases includes such dishes as cheese ravioli with pesto (with romano cheese and fresh basil), Sunny Hawaiian (with pineapple, coconut, celery, cashews, peanuts, and raisins), and Exotic Oriental (with bamboo shoots, water chestnuts, celery and poppy seeds in a tangy, sweet soy sauce flavor).

The company has also introduced a line called Buckets of Pasta, which features two pounds of spaghetti, rotini, tortellini, or ravioli in 5-lb. handled buckets.

Howard A. Zemsky, president of Russer Foods Inc. (Buffalo, N.Y.) says he thinks prepared deli foods have not totally lived up to their advance billing.

"Prepared foods should be larger than they are," he says. "If the stores sold as much as they have gotten press on, everybody would be a lot happier."

"We do business from coast to coast," Zemsky adds, "and retailers tell us that prepared foods do well in some stores, but not in others; or at certain price points, but not others. In general, sales have proved to

be kind of marginal. Prepared foods have been a hit-and-miss, store-by-store item."

Less fat, salt and sugar

Instead, Zemsky sees retailers getting "back to basics, and experimenting less." An example, he says, is Russer's recently introduced line of reduced-salt, reduced-fat luncheon meats called Lil' Salt. The line, which contains no cereals, soy, fillers, or MSG, and has 25 percent less fat and 33 percent less sodium than its other products, includes cooked and smoked ham, bologna, beef bologna, cooked salami, P&P loaf, old fashioned loaf, and braunschweiger.

J. Vincent Kent, senior vice president of sales and marketing for Orval Kent Food Co. Inc. (Wheeling, Ill.) agrees with Zemsky's assessment of prepared foods, concluding that, "In 10 years, they will have lived up to their press. But at this very moment, they have not."

Orval Kent entered the healthful foods fray recently by converting its major potato, cole slaw, and macaroni salads to a no-cholesterol formulation.

Orval Kent also introduced a no-sugar-added fruit and fruit salad line in April called Chilled Selections. The line included mixed-fruit salad; honeydew balls, cantaloupe balls and chunks; pineapple spears; orange slices, segments, and cartwheels; citrus salad with pineapple; and grapefruit segments.

Larry Goldsmith, marketing manager for Stouffer Foodservice Inc. (Solon, Oh.), sees delis working toward being able to compete with restaurants. "There's an increased interest in prepared foods. Operators want to go beyond sliced meat and cheeses into selling 'food.'" Growth will come in the hot and ethnic categories, he adds.

Goldsmith also sees service taking solid hold in deli departments, sometimes against operators' wishes.

"Some chains would like to see service go out, but I think customers love it," he says. "We will see service predominate because the deli is such a focal point in the store now. It represents the image of the store: quality and service."

Stouffer's is also working on a healthful line of products

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called Right For You, which is set for rollout at press time. The six-item line has lower cholesterol, sodium, and fat, and includes Chicken Classics, Heartland Medley Beef Stew, Cheese Stuffed Shells, Three Bean Chili, Pasta Roma, and Mexicali Chicken.

Blue Ridge Farms (Brooklyn, N.Y.) introduced a healthier line of salads in February called Light For Life. The products, which are low in fat, sodium, and cholesterol, "are doing very well" according to spokesman Alan Green.

The line includes Garden Pasta Salad, Mac N' Cheddar, Turkey Salad, Tuna Health Salad, and Fusilli and Olives. All of the salads feature no MSG or bisulfates. Additions this fall may bring the number of items to 16.

"The deli department is one of the few left in the store that is still service-oriented," noted Green. He cautions that smart

operators are able to "adjust and adapt their delis to the neighborhood they're in. It differentiates their store from the rest of the competition. For instance, if you're in a Spanish neighborhood, serve Spanish foods." —HOWARD RIELL

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"have the opportunity to compete on different terms. They need to deliver better products, more flavor, and better value in more responsive packages. Some consumers are beginning to recognize that the flavor and quality of prepackaged brands is better than anything available from the instore bakery."

"We think the handwriting's on the wall," says Grand Met's Leavitt. "More and more operators are moving to prepackaged products based on demographics. It's tough to get labor. Therefore, they will not have the expertise, and will be forced to make things

simpler and simpler for their people to do. The drive is toward products that are closer and closer to finished from the manufacturer."

Pillsbury, which re-entered the frozen dough market when it opened a new plant in Joplin, Mo., last January, has recently rolled out such frozen products as buttermilk biscuits, puff pastry, and cinnamon-raisin biscuit and cookie dough.

SUPERMARKET BUSINESS statistics show that white breads and rolls garnered the largest share of instore bakery sales, with 18.2 percent. Next were variety breads and rolls, at 13.2 percent, followed by decorated cakes (9.4 percent), yeast-raised doughnuts (9.2 percent), sweet goods (7.7 percent), and bagels/croissants/muffins (7.5 percent).

Tom Shaughnessy, vice president and general sales manager for ConAgra Flour Milling (Omaha, Neb.), notes that "frozen muffin mixes—not dry, but already in batter form, that you can just scoop out, thaw, and mix"—are increasingly popular. Of oat bran, he

says, "that *New England Journal of Medicine* report really knocked it in the head. It was hyped way too high, given credit for health improvement—that could have been tough to justify. Now it's found its niche."

According to operators and manufacturers alike, one of the best ways to build bakery sales is to take a localized approach to its menu mix. This includes ethnic offerings in areas with large ethnic populations. For example, Fiesta Mart bakeries in Houston offer shoppers more than 150 ethnic bakery products, including a large selection of Mexican items. "Variety makes the difference," says president Donald Bonham, whose instore bakery notched about \$30,000 per week in sales.

Another trend turning up in many supermarkets is that branded bakery items are being sold through instore bakeries. Retailers such as T.J. Cinnamons and Mrs. Fields are sliding their lines of fresh-baked products into supermarket locations.

—HOWARD RIELL

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FROZEN FOODS

Continued from page 155

Though many consumers are switching to lower fat alternatives to ice cream, superpremium sales were up about 2 percent last year, says Wood. "Even with the introduction of the premium lights and the nonfat frozen desserts, superpremium never lost its base."

De La Garza says that there is a "shakeout going on in frozen novelties" because the category became overcrowded.

Shelf-stable sales aren't frozen

Hormel also targets its shelf-stable microwavable lines toward distinct niches. Top Shelf, the company's 16-item line of shelf stable entrees, "compare favorably with Healthy Choice in terms of fat, cholesterol and sodium, and half of the Top Shelf items are also under 300 calories," says Allan Krejci, director of public relations at Hormel. Hormel also has a seven-item, shelf-

stable, child-oriented line, Kid's Kitchen, in test market.

Although sales of shelf-stable microwavable meals are only a fraction of their frozen counterparts, the category has grown 60 percent since last year, according to Krejci. He contends that frozen and shelf-stable products each have distinct users. "There's not a lot of cannibalization. Shelf-stable has attracted new users of microwavable meals."

Although Krejci believes that shelf-stable microwavable meals "are the wave of the future," frozen food manufacturers do not accept any suggestion that their dominance will ever be in doubt. "They have not succeeded with taste. It takes a lot of heat to process them, and that hurts taste and texture," says Brown.

"I wouldn't say that shelf-stable foods are necessarily a threat to the frozen food industry, but they are competition," says Nevin Montgomery, president of the National Frozen Foods Association, a trade group representing 1,000 manufacturers, retailers, brokers and suppliers.

Just as the shelf-stable industry had to overcome consumer apprehension about the safety of perishable foods that were processed not to need refrigeration, the microwave packaging industry is in the midst of trying to prove to the Food and Drug Administration that polyethylene terephthalate, already approved for use in soda bottles and plastic film, maintains its integrity at the high temperatures created by packaging using heat susceptors.

This past July, the Susceptor Microwave Packaging Committee, a panel of 34 manufacturers and industry organizations including the National Food Processors Association and the Society of the Plastics Industry, submitted their findings to the FDA. "The Committee concluded that no new regulations are needed," says Patricia Schwartz, acting director of the division of food chemistry and technology at the FDA.

"I think it's wishful thinking on their part. We can't leave the regulations as they are. This is not to say that microwave susceptors aren't safe,

but [the manufacturers] have to prove it. It's not our job to go out on a limb and give them the benefit of the doubt."

What's the next act in the susceptor saga? "My sources tell me that in six months, the FDA will announce proposed standards in the *Federal Register* requiring the materials used in susceptors to withstand higher temperatures than the current standards specify before they can be approved for high-temperature use," says John Purcell, a spokesperson for the National Frozen Food Association.

Schwartz will not confirm this information, saying only that "We are evaluating the data from other industry sources. We may conclude that we don't have enough data to regulate any of these things, and we're back to square one. Or we can come out with a regulation saying that these materials can only be used at lower temperatures, which effectively bans them from use in susceptors." In any case, the susceptor issue is starting to heat up.

—RUTH PAPAIZIAN

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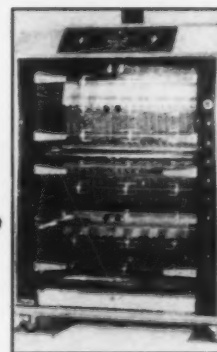
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Rising consumer confidence and technological advances are helping to drive seafood consumption to record levels.

SEAFOOD



Illustration: Steve Swerny

■ Changing consumer eating habits, a

wider variety of offerings, and technological advances in aquaculture and improved handling of seafood by retailers have resulted in record seafood consumption of 15.9 pounds per capita for 1989, according to the National Fisheries Institute (NFI), an Alexandria, Va.-based industry association. Some industry experts foresee consumption rising to about 17 pounds per capita this year alone. And consumption is expected to continue climbing throughout the decade. In fact, Lee Weddig, executive director of the NFI, anticipates that consumption will rise to more than 20 pounds by the turn of the century.

The top 10 category leaders in fish and seafood in order are: tuna, shrimp, cod, Alaska pollock, catfish, clams, flounder/sole, salmon, scallops and crabmeat. These species

account for almost 12.5 pounds consumption per capita. More importantly, two species, catfish and Alaska pollock, are gaining as advances in aquaculture and as more sirimi-based products are being developed.

This rise in consumption follows five years of steady growth—interrupted only in 1988, when several problems, including concerns over pollution and increasing prices, contributed to a decline.

NFI's Weddig expects that despite recent shortages in key items and the subsequent price increases it will engender, consumption will continue growing.

Weddig explains the growth of seafood this way: "I think there are a lot of factors that have contributed to the heavy growth we have had throughout most of the decade. I think a major part of it is the desire on the part of consumers for lighter and more health-

ful meals. Supermarkets are reacting to that by putting in seafood counters. We're not sure whether that is a response to rising demand or a response to greater availability that would then drive greater consumption. Either way, consumption is up and will continue to rise."

Perhaps the biggest impact on the industry has been made in the field of aquaculture. Raising fish on farms has helped stabilize price and supply, and has helped catapult catfish into the top five slots on the consumption chart.

Aquaculture is having a tremendous impact, says Weddig. "Available supplies are being harvested to their limit. For the most part, our natural resources are harvested to their maximum sustainable yield. Some are being overharvested. We see aquaculture as a way of increasing availability. Aquaculture is definitely coming on strong and will

SEAFOOD

continue to be an important factor in this industry."

Al Kober, buyer, merchandiser of seafood, meat and deli for Clemens Market (Lansdale, Pa.), notes that there still are a lot of problems with aquaculture, but agreed it will have a significant impact. Part of that impact will be freshness.

According to Jeff Franzblau, fresh seafood merchandiser, H.E. Butt Grocery Co. (San Antonio, Tex.), his company is increasingly relying on aquaculture precisely for that reason.

"We are giving maximum shelf life out to our customers," he says. "At H.E.B., we believe that freshness belongs to the customer, not to the warehouse or the service cases. And we're very serious about our commitment to freshness. We don't want to waste shelf life, we want our customers to have the maximum in their refrigerators. Aquaculture helps us provide that."

Federal inspection program

A federally mandated fish inspection program should also have a major impact. In general, seafood suppliers, associations and retailers are very supportive of such a program if it is designed specifically to deal with the industry's unique problems and challenges. Most suppliers and retailers agree that such a program would not only bolster consumer confidence in the product, but that it would help eliminate some of the shoddy operators.

Several bills are pending before Congress. The effect of the program will depend on how it is written into law and which government agency will assume responsibility.

One bill that has found favor with the industry would call for seafood to be regulated by the U.S. Department of Agriculture. Currently, seafood is under the jurisdiction of the Food and Drug Administration. The bill calls for the use of Hazard Analysis Critical Control Point monitoring and is state-of-the-art protection, says NFI's Weddig.

These two factors have given rise to increased confidence on the part of consumers and supermarket executives alike. Many supermarkets are aware

of the vast opportunities this growth offers, and are targeting their seafood departments for expansion.

"Most major chains are into seafood now and are investing time and money into merchandising and customer services. Supermarkets are responding to consumer demand. Generally speaking, there have been some terrific advances in this industry on the part of supermarkets."

William Frank, president of the Morey Fish Co. (Motley, Minn.), confirms that retail customers are increasingly calling for federal inspection even though the program is a voluntary one. "It raises the cost of doing business, but it probably helps business as well," he said.

Clemens Markets has added a branded fresh fish program that has helped build its sales in the category, says Al Kober.

He explains that his supplier is willing to put his name on fresh fish and take it all the way to the consumer. "Their handling of fish from the water all the way to the consumer is a very different approach," says Kober.

He notes that the average supermarket is not making a lot on fish. "We are trying to turn that around; we feel that it is time now with the better handling process we have and with distributors shipping better products," he says.

But better in-store handling is another major component to increased sales. "We are trying to get retailers to display it right. They are losing a lot on shrinkage because they are not displaying properly; the moisture is seeping out. They replace the natural juice of the fish with water, and it just doesn't taste the same. A lot of the display methods are antiquated and do not preserve the quality of the product."

But he is confident that the industry has improved and will continue to do so. "There are more quality-conscious manufacturers and retailers. The advantage will go to those companies with sanitation under control and proper refrigeration and handling."

One large chain has added

its own seafood processing plant. With this move, ShopRite became the first supermarket to have in-house processing. Now the company can offer more than 200 species of fish and shellfish. "This extensive selection is both the cause and effect of the 20 percent increase in seafood's popularity over the last decade," says Bob Marino, former seafood manager of Wakefern Food Corp.

Bob Crawford, seafood merchandiser, Dierbergs Markets (St. Louis, Mo.), believes that showing customers how to handle and prepare seafood helps build his sales.

Dierbergs' approach to building seafood sales is to make its counters information centers. "The whole idea is to get information to the customers, to be out there with the customer and to make that communication instead of waiting for them to come along and ask questions," says Crawford.

But that's not all. Dierbergs has recently added a new service: cooked seafood. "This program especially appeals to those people with very busy lifestyles. We are averaging better than 6 percent of total sales in cooked products, and it is still growing," he reports.

For Tim Kean, seafood/bakery merchandiser at Pay Less Super Market Inc. (Anderson, Ind.), demonstration programs help the company expose its customers to the product. They get the opportunity to watch cooking demonstrations, and even get to taste the product prepared by different methods.

"We do these about five to six times a week, depending on location," says Kean. "It's been an ongoing process. We do not see a large spike in sales but we are seeing a steady increase in growth, and that is what we're after."

The best way for retailers to successfully enter the seafood market, said Kean, is to do their homework. "Most haven't put forth the effort to learn the products. I also think they should take advantage of the opportunities available to them. It's out there, but they

must put the financial commitment behind the program if it is to work."

"Cook your catch by color"

Perhaps one of the most innovative programs available to consumers through their supermarket fish counter is "Cook Your Catch By Color," the brainchild of Peter Gryska, manager of seafood marketing for H.E. Butt Grocery Co.

According to Jeff Franzblau, the company's fresh seafood merchandiser, the program is a private-label, color-coordinated cooking system in which each individual category is broken down into five basic cooking methods: boiling and poaching, baking and broiling, charcoal grilling, ready-to-eat seafood, pan-frying and sautéing, plus microwave.

"We are trying to make it easier for the consumer to cook seafood at home. In our marketing zone, consumers have been eating seafood out. With this program, we not only tell them how to cook it, we sell them the condiments, breading and sauces they need for any given fish."

In response to greater participation by supermarkets in seafood, suppliers are also taking a stronger stance in offering programs and support to their retail customers. David Ptak, vice president, Chesapeake Fish Co. (San Diego, Cal.), says, "We now have a lot of educational programs and many retailers are taking responsibility for promoting seafood properly, raising consumer confidence in the product and giving them the products they want. We offer training programs and are active in promoting seminars for the trade. This way we can make the retailer feel more comfortable about [fish]."

Ptak does note, however, that the successful retail marketing chains have a dedicated seafood expert. But retailers have to put the time and money needed into the program, or it won't work.

Frank, of Morey Fish, notes that seafood is a great profit opportunity for supermarkets. But there are problems with handling the product properly. Those who do not have the necessary training are losing a lot to shrinkage. "Too many retailers don't avail themselves of all the training and services that are out there."

—SANTIAGO MONTERO

With in-house processing, ShopRite can now offer more than 200 species of fish and shellfish to its customers.

Sales and new product introductions are increasing in the baby needs category, fueled by the current mini-boom in births. And despite their concern over the amount of space disposable diapers take in landfills, consumers are unlikely to switch to cloth diapers anytime soon.



Illustration: Steve Swerny

B

ABY NEEDS

■ Because the baby boomers keep having babies, they are creating a birth explosion of their own. In fact, in 1989 U.S. births totaled over 4 million for the first time in over 20 years. Births are up 85 percent since 1980. Census Bureau officials say this dramatic increase is due to the fact that more women in their thirties are becoming mothers.

The current birth boom has brought high times to baby products manufacturers, who have benefited from the bigger consumer base. All segments of the market report substantial sales increases, and most companies are putting money into launching new products and developing ways to make higher quality products.

Doubts about biodegradability

Over the past year, biodegradability has gone from being a hot topic to being put on the back burner. Through-

out the disposable diaper industry, the sentiment that "nothing degrades in a landfill!" is echoed again and again. Consumers have their ears open for news of more earth-friendly alternatives, but parents are not switching to cloth diapers in multitudes. Linda Gibbs, a buyer/merchandiser for Hannaford Brothers (Scarborough, Me.), adds that most day-care facilities use disposables, and that that is a pretty substantial market these days. According to Arbītron/SAMI, disposable diaper sales are up 5.5 percent from June 1989. Disposables, in some form, are here to stay.

Scott Stewart, public affairs manager for Procter & Gamble (Cincinnati, Oh.), says, "The majority of consumers think that disposable diapers contribute much more to landfills than they do." He points out that if all disposable diapers and fast food containers were removed from landfills, 98

percent of the garbage would still remain.

Of course, some disposable diaper companies claim to be a few steps ahead of the industry giants. Bunnies, a California-based manufacturer, sells disposables made with a cornstarch-based plastic. While Bunnies doesn't claim to have the ultimate solution to the bulging landfill problem, they maintain that using a more biodegradable plastic is preferable to not changing one's plastic consumption at all.

Many experts claim that "degradable" plastics still produce landfill bulk and that using the new plastic products complicates the problem. Cloth diaper services or recyclable disposables offer possible alternatives.

John A. Shifferd, executive director of the National Association of Diaper Services says that, as of October 1989, diaper service sales were up 38.5

BABY NEEDS

percent from the previous year. (This year's data won't be final until October, but Shifferd assures there has been steady growth this year as well.)

The Association was formed in 1938, and for most of its existence has had moderate swings in membership and sales. Shifferd says, "We've had a steady growth pattern since the early 1980s, but nothing quite as spectacular as the last two years." Because there have been significantly more baby bottoms to cover in the past couple of years, both cloth and disposable diaper volume sales have been up.

Some industry spokespersons note that even cloth diapers exact a hefty toll on the Earth. They create water and air pollution from the steam and energy used to clean them and the fuel used for the pick up and delivery trucks, not to mention the waste created by the plants that make the diapers.

In addition to the plastic wrap on disposable diapers that is causing so much fuss, other factors that may hurt the environment include the dyes used on the packaging and the chemicals used to make the diaper fibers absorb liquids.

Source reduction strategy

Weyerhaeuser (Tacoma, Wash.) is the nation's largest private-label disposable diaper manufacturer. Gerald Sheehan, the director of planning, says that definitions of terms have become increasingly fuzzy these days. No one knows exactly what the word "biodegradable" means. In how many years does the material decompose? Under what conditions?

Nevertheless, Sheehan says, "Weyerhaeuser is trying to design diapers with less environmental impact. This includes the whole process of acquiring raw materials and making the finished product."

Weyerhaeuser tries to recycle the waste it creates, uses vendors who supply plastic film, pulp, and nonwoven material that meet its standards, avoids inks with heavy metals, and makes sure that, when burned, the materials will not release any toxins. Sheehan says the company's efforts are ongoing to keep

finding new ways to improve their product—before and after it hits the shelf.

The single largest way to reduce waste, given a fixed number of disposable diapers sold, is to reduce the bulk of the product. Source reduction, as it is termed, is the number one priority in the Environmental Protection Agency's hierarchy for waste reduction.

In the past two to three years, Weyerhaeuser has made its diapers 50 percent thinner. Procter & Gamble's Scott Stewart remarks that their Luvs and Pampers contain 50 percent less material than a few years ago, and that today's packaging uses 80 percent less material than the cardboard that was employed last year. Joan Allen, director of corporate communications for Kimberly-Clark (Irving, Tex.), says that Huggies have decreased 35 percent in size from five years ago.

Linda Gibbs of Hannaford Brothers says that the compression is extremely popular for retailers, who have often had to resort to the very tops of shelves to store the space-hungry diapers.

This past year, both P&G and Kimberly-Clark launched gender-specific diapers. Huggies for Him and Her was launched in April 1990 and was national by June. Already, numbers show that sales have been extremely promising. P&G's Luvs for Boys and Girls has been around since 1988. Because of its success, the company marketed gender-specific Pampers in Europe in early 1989, and completed its release in the United States in April 1990.

Linda Gibbs says that the new diapers are very successful, but that their stores still sell a significant number of the nonsexed diapers. Hannaford's stores will continue to stock the basic diapers "for those parents who still don't know what they have," jokes Gibbs.

Kimberly-Clark will begin shipping a new Huggies baby wipe to test markets in California soon. Allen says, "It's a nonwoven, clothlike product that uses the company's tissue-

making expertise."

Gerber (Fremont, Mich.), in addition to being the leader in the baby food category, is one of the biggest manufacturers of baby bottles and nipples. Jim Lovejoy, director of corporate communications, announced that Gerber is introducing a new bottle sterilizer this year for use in a microwave. He says the new product is part of Gerber's efforts to allow parents to spend more quality time with their children.

Gerber's most significant new baby food introduction for this year is Gerber Baby Formula. In just 10 months, the product has achieved a 3.6 percent market share, with as high as 8 percent in some West Coast areas. Lovejoy says that the numbers are very encouraging in such a competitive market.

Infant formulas, which make up 60 percent of the baby

foods category, according to the SUPERMARKET BUSINESS Consumer Expenditures Study (CES), showed and 11.5 percent gain in 1989, funneling an extra \$144 million in volume toward grocery stores. But while the volume was there, margins weren't. At an

average 5.2 percent, they rank as the lowest in the already slim-margin baby foods category.

Most retailers blame product availability at other price-competitive retail outlets. But despite the competition, grocery store share of the \$1.6 billion infant formula business is holding at 87 percent, according to CES.

Also new from Gerber are fruit juices with low-fat yogurt, which Lovejoy reports have excellent distribution nationally, and tropical fruit desserts for babies. When the desserts, using such fruits as mango and passionfruit, were tested in Miami, where residents are familiar with the foods, sales increased an amazing 91.5 percent in a year. Nationally, the tropical fruit sales are up 19.5 percent.

Gerber has broken into the adult food market with Gerber

Fruit Classics. These are ready-to-eat 4 oz. single serving cups that don't require refrigeration. Competing against such giants as Motts and Ocean Spray, Gerber has already gained a number two position in the markets in which it is sold.

Beech Nut was sold to Ralston Purina (St. Louis, Mo.) in November, 1989. In less than a year, according to spokesman Patrick Farrell, Purina has made the company profitable. In addition to corporate restructuring and moving Beech Nut's headquarters to St. Louis, Purina has improved the packaging and graphics of Beech Nut products, he claims.

The company is also becoming involved in several community service projects. Beginning this year, Beech Nut will be the first sponsor of the Lamaze program, underwriting the teaching materials for the popular classes. Beech Nut will also be participating in the First Moments hospital program, as well as a wallboard program for hospitals and doctors' offices.

Beech Nut's new products this year include two extensions for their yogurt line (apple and pear) and two new 32-ounce juices (white grape and mixed fruit). Farrell says Purina hopes to solidify Beech Nut's business and gradually enlarge the company.

Organic baby foods

Earth's Best (Middlebury, Vt.) is making a solid entry into the competitive baby food market. Begun in 1987 as an organically-grown pesticide-free food for babies, and sold solely to natural food stores, the company now does 75 percent of its business in supermarkets. According to John Eldredge, vice president of marketing, sales were up from \$1.5 million in 1989 to over \$5 million in 1990. Earth's Best currently features 20 items. This year, two new strained fruits, three juices, and two cereals were added.

Unlike some baby products brands, whose sales fluctuate greatly depending on in-store sales and coupons, Earth's Best enjoys a loyal following. Says Eldredge, 70 percent of parents who try their products continue to purchase them thereafter.

In the midst of this second baby boom, the future for baby needs products seems bright indeed.—KAREN ANDERSON

Even cloth diapers exact a hefty toll on the Earth—water and air pollution from the cleaning process, fuel from delivery trucks, and waste created by plants that make them.

After a period of transition to products made with healthier ingredients, the category is once again being driven by promotions and prices.



Illustration: Arne Ien

B AKED GOODS

■ The healthy revolution in baked goods is virtually complete.

Now, little more than a year after it began in earnest, the category is poised for a return to its trade promotional roots. Actually, buyers have said, it never really left.

Last year saw a massive rush on the part of suppliers to rid their products of offending ingredients—a process that continues, albeit more slowly, today. In the process, tropical oils, such as palm oil and coconut oil, went by the boards, as did other fats, some sugar and salt.

The effort brought many customers lost to the fresh in-store bakeries back into the fold. But as more and more companies changed their formulations, making newer and better claims, consumers seemed to either retrench or

become more fickle in their choices. Add to that scattered reports that the benefits of some ingredients—notably oat bran—were overblown in their claims. True or not, it gave some consumers pause.

All of it has conspired to keep the category price- and promotion-driven, with still-important help from a variety of new products and line extensions.

The leaders—Nabisco, Keebler, Sunshine, Pepperidge Farm and Hostess—continued their dominance of the category through their ongoing battles for market share. But the insurgents also left their market.

A highly successful rollout

Entenmann's (Bay Shore, N.Y.), by every account, is completing one of the most successful market rollouts in recent memory with its cholesterol free and fat free line. And, regionally dominant

bakers also provided more than just an annoyance for the nationals.

Still, many buyers remain uninspired by the events around them. "No one's really doing anything exciting out there right now," offers Jerry Malone, DSD merchandiser/buyer for Allied Supermarkets (Detroit, Mich.). "The Entenmann's no-fat items are still doing a good job. Their business is up 40 percent in some stores."

Malone tags Nabisco, Hostess and Wonder Bread as the region's leaders. Most of the breads, he said, have already completed their conversion to no-cholesterol formulations. But while they sold well initially, the category has begun to level off.

Likewise, many of the oat bran products that earlier swamped the market have now peaked, Malone says.

Hostess's new low-fat blueberry muffins are currently

BAKED GOODS

doing very well, he adds. Additionally, a local company, Grand Rapids-based Archway, is making important strides and is aggressively couponing its products, according to Malone.

Few really new products

Perhaps most significant, he suggests, are Nabisco's Ritz Crackers. The firm came out with peanut butter, and is now adding a sharp cheese flavor.

"It looks like another winner. But [beyond these] there's really been no new breakthroughs out there. Most of the other products are about the same."

The market, Malone maintains, is being driven by deals—mostly trade promotions that include some advertising allowances from the majors, such as Pepperidge Farm, Nabisco and Keebler. Those work best when they can translate directly into consumer savings of 15-cents

to 20-cents each, he says. The deals have slowed somewhat lately, however, because of Allied's impending acquisition by Kroger.

Bowing to the price position of the category, however, the retailer regularly monitors area competitive prices. The company produces price checks for many items weekly, while others are completed on a quarterly basis.

While price remains important to the final purchase decision, ingredients and formulations play an important balancing role, according to Barbara Harris, commercial bakery buyer for Harris Teeter, Charlotte, North Carolina. Consumers remain committed to the well-established areas of lower-fat and cholesterol-free products, she says.

— "The no-cholesterol items

are picking up," Harris says. "People are interested in them, and if the item isn't fat-free, they'll put it down and go to something else."

"Entenmann's is doing a very good job, but the category, for the most part, has been standing still. We've been in the process of trying to rework [our assort-

ments] to find what sells best."

She also cites American Bakeries' white bread products, but noted that some companies have completely discontinued some items, such as oat bran, apparently because the business just wasn't there.

For Brookshire Food Stores, Tyler, Texas, Entenmann's has scored well mostly at upscale store locations, according to Rick Ellis, director of grocery purchases. That's mainly

'Mainly, we're seeing very heavy trade promotions. We're seeing more buy-one-get-one-free offers. Some of the smaller companies are becoming very aggressive.'

because consumers will more easily bear the price points and are less comparative in their shopping habits, he indicates.

On the national side of the business, Nabisco is the dominant player. But regional players, such as Mrs. Baird's, which makes sliced breads and cakes, have a very strong following also.

Ellis identified Mother's Cookies as probably the fastest growing brand. The appeal is more toward children and the company sponsors a variety of kids' programs, including safety programs and a "Kids' Week" in October.

"Health-conscious products have been leveling off," he says. "As a result, both trade allowances and couponing become more important. It's important to keep promoting them."

Fat-free reformulations

Still, Ellis reports that the biggest events of the year were the switching over of both Keebler and Nabisco products to a fat-free formulation in most cookie and cracker products—moves that have won his praise and approval.

According to Ellis, a testing of the products indicated that the tastes were slightly changed, but not for the worse. So far, sales results indicate the companies made the right decisions.

Sunshine, he points out, has made its products with vegetable shortening for years.

Ellis also notes that despite consumer taste or ingredient preferences, promotions are still what drives the category; there's only limited brand loyalty. Still, the business, overall, has been up.

While the industry rushed to embrace healthier formulations, salesmen's presentations to buyers lately have been downplaying those distinctions, possibly because they're no longer as distinctive, according to a buyer for Nob Hill General Stores in Gilroy, Cal. The salesmen present it as purely promotional, the buyer stated, talking about advertising supports, in-store merchandising, couponing and ad allowances.

Continental Bakeries' products and Wonder Bread have continued to dominate portions of the line, along with Nabisco for the cookie and

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We offer annual funded Marketing Agreements to all retailers in the U.S.A. Payments are made for performance under the applicable plan: FMA plan—purchase, distribute, or reduce price; CMF plan—purchase and/or distribute cases for print/electronic media featuring and/or display and/or price reduction and/or in-store sampling/couponing and/or selling/consumer shows. Other programs involve distribution by agencies of product coupons and samples in stores, in various markets at various times. Also, we offer display material, newspaper proofs, etc., to assist you in merchandising our brands.

Details are set forth in specific agreements. These offers are practical and usable by all retailers regardless of size. You may now be performing under an agreement, and payments are being made to you or your headquarters or wholesaler on your behalf. In some instances, wholesalers commingle these funds for the benefit of all their retail customers.

If you are not receiving benefit of these offers either directly or through your wholesale supplier and would like to do so, send your name, address and telephone number to Procter & Gamble, Box 162, Cincinnati, Ohio 45201 and we will contact you. Please specify the Company product line.

Beauty Care Sector
Health Care Sector
Food/Beverage Sector
Paper Sector
Soap Sector

centrated more on line extensions than purely new products. He noted that, "Oreos used to have just two styles 10 years ago. Now they have about 14 different styles."

Brand proliferations have resulted in a more careful assortment strategy for the retailer, the buyer said. When a new item is added now, salesmen are often prodded to suggest an item—one of their own—to be dropped.

At Hy Vee Stores, Chariton, Iowa, Nabisco and Keebler dominate the national brands line, along with representation by Sunshine. But the company's own private label enjoys immense popularity, according to Dan Lugar, purchasing specialist.

While the nationals promote most heavily during soup season—fall through spring—Hy Vee's crackers are 12-month sellers, he says.

Lugar reported that while there is a strong continuing consumer interest in healthful products, sales results have begun to level off. "I'm not sure what happened with all the health-oriented products," Lugar said. "I think some of it was oversold; people found that some of the claims that were being made just weren't being borne out."

Part of it, he suggested, may have been that consumer was getting too confused over which brand was better. It may be that the consumer was just getting too confused, Lugar says. "Yet, if the product *doesn't* contain those [health] features, it's not going to sell."

In the meantime, there has been an increasing emphasis on youth-oriented products. Keebler has been experimenting with items carrying more of a kid's appeal, he noted. The company's Magic Middles, for instance, now have sprinkles, which will be included in more of its products, Lugar reports.

Hy-Vee's private label is also getting into Grammy Bears and items similar to Nabisco's Oreos and Chips Ahoy, he says. It's very much a situation of going after kids and appealing to their sweet tooth.

More and more regional companies are also going in that direction, according to a St. Louis-based buyer for a major Midwest chain. He cites Delicious Cookies and its new Ninja Turtle cookie.

They've been among the

major introductions during the past year, along with reformulations such as Nabisco's Ritz peanut butter cracker and the new Cheese Mini Ritz.

Aggressive price promotions

He identifies Nabisco, Keebler and Mrs. Allison's, a regional brand, as the dominant players.

"The health-conscious formulations, if they're being pushed at all, are being pushed more quietly than last year, at least in this market," the buyer says. "Mainly, we're seeing very heavy trade promotions. More than double coupons, we're seeing more price, buy-one, get-one free offers, which have become the big thing. Some of the smaller companies have become very aggressive with those offers, and it's worked for them very well."

He also notes that many items are aimed at winning additional shelf space, a gambit that has only worked to very limited degrees.

All of the chain's major suppliers are showing sales gains, ranging from 5 percent to a high of 20 percent, the

buyer reports.

Nabisco, Mother's Cookies, Keebler, Sunshine and Pepperidge Farm are the leaders at Jumbo Markets, Sacramento, California, according to Bruce Patterson, director of grocery operations.

While the business, overall, has been relatively flat, new cookie and cracker items are generally doing well, he says.

"It's nothing like what it was about a year ago when all the line extensions and size changes started to come out," Patterson noted. Entenmann's Light, with no fat and no cholesterol, is the most significant change or addition to the line, according to Patterson. While in the market only a couple of years, the new offerings are continuing to do well, along with the rest of its line, he says.

In breads there's a tremendous move toward the healthy kinds of breads and the variety breads, Patterson reports. In some cases, prices have risen to nearly \$2 per loaf, and the company has begun wondering whether there is a top price point for the items. The

phenomenon is most apparent in the wheats and brans.

The lite cakes from Hostess and Dolly Madison have done relatively well, he says. The earlier sales gains have flattened somewhat.

Jumbo has also noted a trend toward more product introductions directed at children, with characters or animals such as dinosaurs and teddy bears. In the normal product line, no-cholesterol and no-salt products are still important, he said.

The biggest problem, Patterson noted, is with the chain's DSD distributors. Allowing that the distributors generally do a good merchandising job in the stores, Patterson made the case that sales are being lost for lack of adequate follow-through on promotional activities.

"It seems like I'm always getting a new call for a promotion, authorizing the promotion, but that's as far as it gets. Their execution could be a lot better, especially with a category that's so profitable when you consider its turnover."—BRENT H. FELGNER

NOTICE TO ALL RETAILERS

Pillsbury Coupon Redemption Policy

The Pillsbury Company ("Pillsbury") is removing much of the language from the face of its individual coupons and publishing its coupon redemption policy under which Pillsbury will reimburse you for redeeming Pillsbury coupons. Your redemption of Pillsbury coupons signifies compliance with Pillsbury requirements which are:

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This promotion is designed to feed those less fortunate during the holiday season. Every time you sell a case of Miller premium brands,* Miller will make a cash donation to local food banks nationwide.

Thanksgiving is a bountiful selling season and this year Miller asks that you and your customers help fill the food banks.

- Cents-per-case donation to local food banks.
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- FREE take-one holiday television sports schedule.

*Donation based on select packages of Miller High Life, Miller Lite, Miller Genuine Draft, or Miller Genuine Draft Light purchased during November, 1990.

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1-800-MBC-BEER.



Miller Brewing Co., Milwaukee, WI

The big are getting bigger in the domestic beer business, while importers expect that consolidation will put the sparkle back in a flat market.



Illustration: Steve Sweny

BEER ■ There is good news in the domestic beer business—if, that is, your name is Anheuser-Busch, Miller or Coors.

The Big Three keep getting bigger, at the expense of secondary brewers and, to some extent, imports.

In the supermarket, domestic brewers posted even larger sales gains in 1989 than in 1988, but, for the most part, that reflected the replacement of some lower-priced beers from secondary brewers such as Strohs and Heileman by premium, lite and dry products from Anheuser-Busch, Miller and Coors. According to brewers, case movement was flat.

But sales were up in dollar terms, indicating that major brewers are getting the most out of a weak market. Imports, on the other hand, seem to be languishing.

U.S. brewers and importers say a number of reasons—including inflation—are responsible for the increased

dollar volume. But they agree that the development, introduction and national rollouts of the new premium, light and dry beers have put some fizz back into a flat domestic business.

Tom Rubel, of Miller Enterprises, Inc. (Crescent City, Fla.), which owns both supermarkets and convenience stores, agrees there is a reapportioning of the market among the better-known domestic and imported beers.

"We haven't noticed an increase in sales, just a change in distribution around the industry," he says. "The big factor continues to be the advertised price point."

Anheuser-Busch, Miller and Coors contend that their marketing muscle is an important factor for supermarkets as they decide which beers to carry, especially in the cooler.

"It's a question of more of the same," says Dave Fogelson, a Miller Brewing Co. (Milwaukee) spokesman. "Supermar-

kets are working more closely with brewers, taking advantage of more promotions and cross-merchandising more. For that reason, they should devote more cooler space to brands that advertise and promote aggressively, instead of offering a variety. The variety can be offered on the shelf."

The intense competitive environment in the beer industry certainly has helped strengthen the top three brewers. Yet every silver lining has its cloud. And activity at the government level has domestic brewers looking over their shoulders. In addition to drunk-driving and health issues, brewers have been swept into a number of new controversial public policy debates:

- Soon after President George Bush's lips spelled out a new position on taxes, beer became a prime candidate for excise taxes aimed at closing the federal budget gap. That beer became a prime candidate

B EER

for taxation surprised no one. But brewers were shocked at the level of taxation involved. Some proposals could boost the current federal beer tax by 400 or 500 percent. And this on top of moves by several states to boost excise taxes they charge.

- Legislation sponsored in the U.S. House of Representatives by Rep. Joseph Kennedy II (D-Mass.), and in the Senate, by Sen. Albert Gore (D-Tenn.), would force brewers to add warning messages to beer advertising, including television slots.

- Anti-drunk-driving activists want brewers to withdraw advertising from motor sports.

- Religious leaders and activists in black and Hispanic communities have attacked manufacturers of tobacco products and alcoholic beverages for directing a disproportionate amount of advertising at minority communities.

Brewers strike back

Reaction to these issues has been mixed. Most major brewers are addressing problems through the Beer Institute, a trade organization. But not Anheuser-Busch Cos. (St. Louis). Although acknowledging that the problems have individual origins, Anheuser-Busch contends that the beer industry has become a high profile target for various zealots opposed to any sort of alcohol consumption.

"Our critics have taken these campaigns to the point of absurdity," says Steve Lambright, vice president and group executive at Anheuser-Busch. "We're not ducking the issues. We know alcohol can be abused. But the statistics on drunk driving and other indicators of abuse are all going in the right direction. The critics ignore the 80 million responsible beer drinkers in this country."

Anheuser-Busch has focused its resources primarily on excise taxes because the company believes that any action against its marketing program won't go anywhere this year—but excise taxes might. So when Anheuser-Busch realized the extent of the tax proposals, the company

shifted several existing, but low-profile, programs into high gear.

The company launched an advertising effort—separate from a Beer Institute campaign—and a grass-roots political campaign to focus beer-drinker dissatisfaction with the proposed taxes right at legislators. The company even set up an 800 number. Each call generates Mailgrams that inform the caller's U.S. representative, senators and the White House of his or her opposition to excise taxes.

The other major U.S. brewers are concentrating their efforts on Beer Institute programs. The organization has organized a coalition including various business leaders from the sports and entertainment communities who oppose ad warnings.

It also released results of a poll revealing that three of five Americans don't believe that warnings in beverage advertising will be effective in fighting alcohol abuse. And the Beer Institute is placing print advertising pointing out that beer is taxed at a higher rate than other consumer goods, including luxury goods. In the ad, a woman wearing a diamond bracelet is used to make the point visually.

According to Jeff Becker, vice president of alcohol issues at the Beer Institute, the Institute's effort alone produced 120,000 letters to Washington in the first two weeks of the effort, and hundreds of thousands more since.

In cooperation with the Beer Institute, brewers around the country, including Miller Brewing Co. (Milwaukee) and Coors Brewing Co. (Golden, Col.), also are organizing employee and vendor support on their antitax efforts.

"We want to let congress and the public know that this is a regressive tax," says Steven Forsyth, communications director at Miller Brewing. He says that a large tax will affect not only the price of beer, but the health of the brewing industry.

In spite of legislative clouds on the horizon, the outlook for the major brewers remains

relatively rosy. Each has its own stars, either new products or ones that only recently reached national distribution.

Among the key products credited by the Big Three for their resurgence are Michelob and Bud Dry and a nonalcoholic brew, O'Doul's, at Anheuser-Busch; Genuine Draft and Sharps, another nonalcoholic, at Miller; and Extra Gold, Coors Light and Keystone, a popularly priced beer, at Coors.

Such introductions have forced some secondary brewers to retrench from the national positions they took in a mid-'80s marketing offensive. But Bill Eiler, director of public affairs at G. Heileman Brewing Co. (La Crosse, Wisc.) points

out that a strategic retreat doesn't constitute a rout.

He points out that several Heileman products, such as Colt .45 Malt Liquor and Kingsbury nonalcoholic beer continue to be top national sellers in their

particular niches. As for the companies other products, such as Old Style, its most famous brew, Heileman has conceded certain areas in an effort to bolster sales in stronger markets.

"With some core brands, we've purposely put emphasis on core markets," says Eiler. "The industry has seen a planned decline in some marketing areas designed to create better profits for those core brands."

While Heileman focuses on profits, the Big Three brewers continue to introduce new products. For example, Anheuser-Busch has recently rolled out Busch Draft.

The superpremium category—which competes with imports and has been relatively weak for some years—has been deemed ripe for growth by all three major U.S. brewers. Coors introduced its Killian's Irish Red superpremium beer in cans for the first time this summer as a test. In 1987, the company rolled out Winterfest nationally. A seasonal superpremium introduced in Colorado a year before, Winterfest is offered only during the Thanksgiving

through New Year's.

Last year, Michelob Dry joined Michelob and helped revive Anheuser-Busch's superpremium line, which also includes Michelob Light. Anheuser-Busch has a limited distribution of a product it characterizes as an "ultrapremium" brew called Anheuser Märzen. According to a spokesman, this selected placement doesn't constitute a test, but limited distribution based on a limited brewing schedule.

And, in the fall of 1989, Miller began to jockey for a piece of the hot superpremium/import light market with Löwenbräu Light.

Yet, at least one importer credits lack of a strong domestic superpremium beer market as an important reason that foreign beer sales have been relatively weak in the U.S. for the last two or three years.

"The price disparity between domestic and imported beers has become more apparent since the superpremium price bridge has collapsed," says Paul Block, corporate marketing director of the Guinness Import Co. (Stamford, Conn.)

Block doesn't believe, however, that slow sales now mean that imports face a flat future. He says the industry restructuring that will lead to future growth is already taking place.

Consolidation will be of benefit to importers, giving them broader lines to work with and better distribution. As an example, Block points to Guinness Import's acquisition of All Brands Importers this year. The acquisition added a group of Canadian, Mexican and one Czechoslovakian beer to Guinness's portfolio.

Block adds that a change is developing in consumer preference within the import category. Classic brews, rather than newcomers, are drawing consumers more concerned with tradition and taste than trendiness.

So the outlook for beer in food stores is one of guarded optimism. And some superpremiums are putting their money where their outlook is.

D'Agostino's has its own private label beer, produced by a New York microbrewer, Manhattan Brewing. The upscale brew is set to compete at the superpremium/import level.

—MIKE DUFF

A Beer Institute advertisement points out that beer is already taxed at a higher rate than many luxury goods.

While some categories lagged, vegetables bounced back from the drought. Value-added products such as microwavable, shelf-stable meals contributed to a 10.1 percent increase in supermarket sales.



CANNED GOODS

■ Value-added vegetable dishes, shelf-stable prepared entrees and new juice blends combined with tonnage gains on drought-rebounding basics to give canned foods a 7.6 percent dollar-volume boost at supermarkets, according to the SUPERMARKET BUSINESS 1990 Consumer Expenditures Study (CES). That raised the 1989 total \$944 million to \$13.6 billion.

Prepared foods

Canned and shelf-stable prepared foods advanced faster than other categories in dollar growth. The 9 percent increase in supermarkets meant a \$127 million increase for a subcategory total of \$1.55 billion, according to CES figures, and the growth of microwavable shelf-stable sections had a visible impact along canned food aisles.

"We started with a four-foot section, went to eight, then 12.

Pretty soon, we'll probably have half a gondola devoted to shelf-stable food in microwavable containers," says David DiGeronimo, vice president and grocery buyer for 13 stores run by Victory Super Markets (Leominster, Mass.) "People are into quick eating. It's insane."

While most manufacturers insist growth in microwavable prepared foods only nibbles at their canned cousins, DiGeronimo sees active cannibalism. "It's taken away from the traditional stuff. Funny thing, though, it's the same stuff—it's just a new container. And people are paying for it—paying more for the microwavable container."

"If people want value," DiGeronimo continues, "they should buy the same thing in cans, and put it in their own bowl before putting it in the microwave." He adds that product duplication puts more pressure on shelf space without yielding a proportional

increase in consumer demand. "The SKUs are out of control."

"I see the [shelf-stable microwavable] category, as a whole, [as being] where Lean Cuisine was 10 to 15 years ago," says Bennett Mark, director of grocery for 26 D&W Food Centers (Grand Rapids, Mich.), which have four-, eight- and 12-foot microwavable sections.

"In some cases, we've seen the product that's come out—tips of beef, shrimp Alfredo—as being too high-end. It's difficult to get the consumer interested in that. It's like it was when Lean Cuisine first came out. When they came out with more lower-end products, that's when we saw continued growth."

Microwavable growth

While price levels and product duplication remain a concern, few retailers are standing in the way of consumer demand for microwavables and category growth

fueled, at least in part, by newcomers.

"We think microwavable foods are enjoying pure growth, that new users are being brought into the category," says Allan Krejci, a spokesman for George A. Hormel Co. (Austin, Minn.).

Long known for its canned prepared foods under the Hormel and Dinty Moore brands, Hormel introduced microwavable Top Shelf tray entrees in March, 1987, which went into national distribution last summer, and now has 16 items in the line. Hormel Microwave Ready Entrees followed in January, 1988.

Hormel chili (with and without beans) and Dinty Moore Beef Stew were launched in April, 1989, rolling national earlier this year. The company is now testing seven Kids Kitchen shelf-stable entrees, which debuted in Denver, Phoenix and Indianapolis in early 1989.

American Home Food Products (New York, N.Y.) also questions the level of cannibalization between its traditional and new retorted products, noting "steady sales gains" among its Chef Boyardee canned pasta despite "explosive growth" of its 16-item Chef Boyardee Microwave Meal pasta line.

Dial Corp. (Phoenix, Ariz.) is also riding the "wave" of microwavable prepared foods, which it estimates is a \$520 million category. Last month, the company rolled out its six-item Light Balance line to 70 percent of the country, complementing its now-established Lunch Bucket offerings.

A high "nutritional profile" was also important to Pet Inc. (St. Louis, Mo.), which introduced a six-item line of shelf-stable pasta and meat dishes under its Progresso label to test markets early this year. While items include glazed white meat chicken and pasta primavera with red sauce, the company is "very careful about calling it a premium product," according to Les Landes, a company spokesman. "We certainly have hopes that it will compete effectively with frozen entrees, but it's really

positioned as a product for the lunch market."

Kraft General Foods (Glenview, Ill.) has pared down its microwavable shelf stables and changed the name from "Impromptu" to the less esoteric "Kraft Microwave Entrees," according to Kathy Knuth, a spokesperson. First tested in Cincinnati and Phoenix in late 1988, the nine-item line has expanded to Salt Lake City, Denver, Indianapolis, Louisville and Toledo. Suggested retails range from \$1.99 to \$2.79.

Tonnage gains contributed to dollar volume increases in basics such as peas (up 16 percent), corn (15.2 percent) and green beans (up 14.2

percent). Those dollar gains helped boost 1989 supermarket sales 7.6 percent above 1988 levels to a supermarket total near \$2.6 billion, according to CES figures.

"The growth in canned vegetables seems to be coming

from the value-added brands, adding red pepper to corn, and putting gourmet vegetables in cans," says D&W's Bennett Mark. "Those things are promoting category sales, and they offer a few more pennies per item in profit over the more traditional canned corn, peas and beans."

Del Monte's (San Francisco, Cal.) 10-item line of shelf-stable vegetables in microwave-ready containers, with suggested retails tested near the \$2 mark, are a convenient, value-added case in point. The line, introduced to about 5 percent of the U.S. in late 1988 and 15 percent in late 1989, is expected to be nationally distributed by January 1991, according to Dee Ann Campbell, a spokesperson.

The microwavable vegetable line pairs unusual combinations of "mainstream" vegetables with sauces that have a distinct "flavor profile."

Under its Green Giant label, Pillsbury (Minneapolis, Minn.) has seen strong trade and consumer acceptance for Garden Medley, a blend of green beans, corn and crinkle-cut carrots which rolled nationally earlier this year.

Continued on page 150

Few retailers are standing in the way of consumer demand for microwavable shelf-stable products.



Steel cans have been attracting a lot of attention lately.

More and more of your customers are finding recyclable steel cans to be an attractive solution to today's solid waste problem. Curbside recycling programs are diverting increasing amounts of steel cans away from landfills. And magnetic separation makes steel cans one of the easiest materials to pull from the waste stream.

Currently, over 90% of canned foods are packaged in recyclable steel cans. And the number of beverages packaged in steel cans continue to grow.

Products packaged in steel also offer tamper resistance that consumers prefer two to one over other containers.

On your shelf, no other material stacks up to steel. Superior design means easier, more efficient stacking. And the increased strength of steel means fewer dents and leaks.

For more information on the advantages of steel cans, write the American Iron and Steel Institute, 1133 15th Street, NW, Washington, D.C. 20005-2701.

The future is contained in recyclable steel.



Ready-to-eat cold cereals—and, on a smaller scale, hot cereals—remain a no-hassle and healthy alternative to traditional bacon-and-egg breakfasts.



Illustration: Anne Ten

CEREAL ■ Consumer health concerns, combined with perceptions of oat bran as a miracle ingredient of sorts, helped the cereal category kick to a powerful finish as the 1980s came to a close. A bit of historical perspective shows how far the ready-to-eat (RTE) cereals have progressed in 20 years.

Back in 1970, RTE cereals were a \$659 million business in supermarkets, according to SUPERMARKET BUSINESS's Consumer Expenditure Study (CES) data. By 1979, RTE volume swelled toward the \$1.9 billion mark in supermarkets. At the end of last year, the category was churning more than \$4.8 billion a year in supermarkets, a 14.4 percent increase over 1988 levels.

The dollar, of course, isn't as valuable as it used to be. But it's interesting to note that the one-year dollar increase for cold cereals from 1988 to 1989—a \$612 million gain—came within 7.6 percent of the

total category volume done in 1970.

The year of oat bran

A significant part of last year's 14.4 percent increase in volume came from the oat bran craze. Total volume generated by RTE cereals featuring the words "Oat Bran" soared from \$34.9 million in 1987 to \$105.2 million in 1988 to \$328.2 million in 1989, jumping from 2.7 to 6.8 to 18.7 percent of the RTE category, according to data culled by Nielsen Marketing Research's SCANTRACK Market Planner.

Those dollar-volume increases spiked most dramatically from the first quarter of 1988 (\$9.9 million) to the first quarter of 1989 (\$71.5 million), a 623 percent increase. After peaking at \$88.8 million in the third quarter of 1989, however, sales volume of oat bran-tagged RTE cereal slipped to \$79.2 million in the fourth quarter.

That ebb occurred shortly before the generally acknowl-

edged coup de grace for oat bran's "miracle" status—the widely reported study appearing in the *New England Journal of Medicine* that ran counter to the hoopla about oat bran's unique benefits in lowering cholesterol levels.

Outlook for a new decade

The outlook for the 1990s, while more sobering, is still encouraging for manufacturers and retailers alike. But don't expect any subcategories to show triple-digit growth spurts in the near future. Along with skepticism about oat bran's benefits, the study seems to have dampened the potential for other products' latching onto a key ingredient as a vehicle for growth.

"We're not seeing much happening with rice bran, which came out right after oat bran," says Bennett Mark, director of grocery sales for D&W Food Centers (Grand Rapids, Mich.). "It's not nearly

Continued on page 163

Short supplies caused cheese prices to rise last year, slowing sales slightly. But overall, on a profit-per-sq.-ft. basis, the dairy department continues to be one of the most profitable departments in the supermarket.

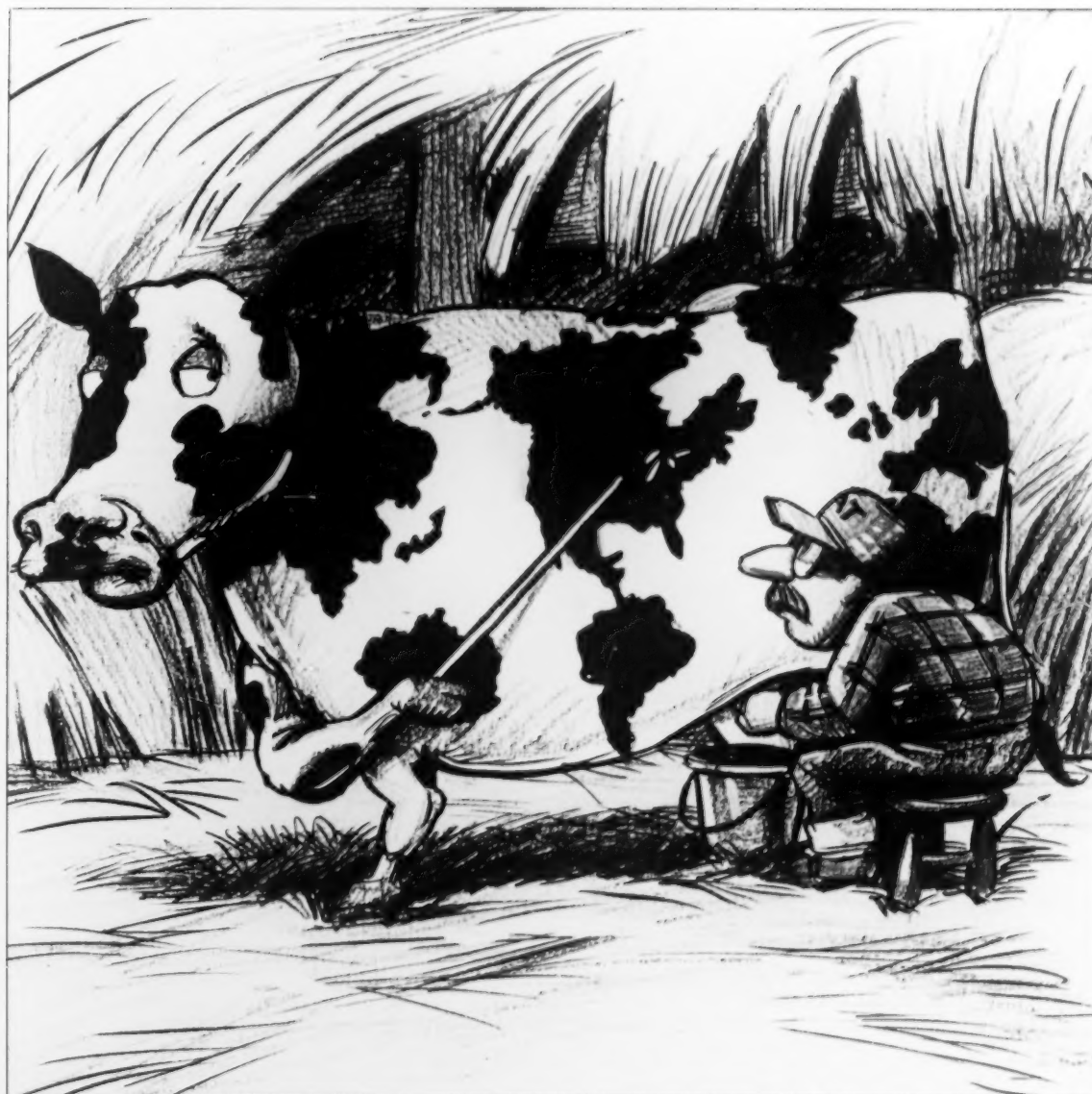


Illustration: Steve Sweney

D

AIRY

■ Of the many departments in modern supermarkets, the dairy case best reflects the trends driving consumers' food choices across the country.

Lighter, fat-reduced products are replacing traditional selections in categories ranging from milk to cheese to yogurt, as food producers rush to meet consumer demand for healthier products. Shoppers are also opting for a variety of vitamin-fortified milks and for top-of-the-line premium choices in other dairy products.

Consumers are finding their need for more convenient products answered by new packaging options (particularly in cheeses) combined with clever marketing. Cheese also perhaps the leading dairy product in terms of variety, with choices ranging from shredded cheese to cheese snacks to specialty cheeses. As a result of these trends, the range of offerings found in dairy departments has never

been wider, say manufacturers and retailers.

As the range of choices continues to grow, retailers are using more sophisticated criteria to select dairy products that deliver the most bang for the buck. Although physical dairy-case square footage is larger than ever, the sheer volume of offerings is forcing dealers to choose which items they will carry.

Direct product profitability (DPP) studies are becoming the industry standards for measuring which offerings are most profitable in terms of the space they require. "They're now being used [by dealers] as a merchandising tool," says George De Jager, vice president of marketing and advertising for the National Dairy Board. "They're in the hands of retailers around the country."

Milk highly profitable

In the case of dairy, milk consistently shows high DPP, according to Tobi Rozden,

director of marketing for the Milk Industry Foundation. According to that organization's figures, milk's average DPP per square foot is more than three times that of non-milk products. Other studies completed by dairy foods manufacturers such as Kraft show refrigerated departments to be up to five times as profitable, on the average, as the rest of a store's sections. Today's consumers feel that dairy case purchases provide all the health and flavor benefits they seek in food. Because of this, "Dairy products are the fastest growing part of the supermarket," says De Jager.

Statistics show that milk trails only cheese in terms of individual product growth in the dairy case. Industrywide sales figures for cheese and milk—which according to De Jager are based on milk-fat—show that 1990 milk sales have generally been flat, while cheese's sales are up 1 to 2

DAIRY

percent. But the statistics may be misleading. Since more low-fat forms of milk are being sold (consumers now purchase 10 percent more low-fat milk than whole milk), "there's probably more milk being sold" than the statistics show."

Low-fat milks (any milk with a fat content under 3.25 percent) have driven milk growth for the last several years, and "that continues to be the case," says De Jager. Other fast-growing milk products include flavored milks, calcium-fortified milk, and lactose-free milk.

A new calcium- and protein-fortified milk known within the industry as "111 milk" has proved very successful in California, according to De Jager. Manufacturers are marketing the product "in more general terms" related to health benefits, and are marketing the product as extra-light milk, he said. The milk features an 11 percent solids content as compared with 9 percent for whole milk. Consumers also consider the product better-tasting than whole milk, he says.

Product-packaging concerns are affecting milk as much as they have almost every other consumer product over the past decade. Disposability and environmental concerns are fueling many areas to consider legislative restrictions within the milk industry.

"A number of states are moving toward laws on packaging," De Jager says. Convincing consumers to trade down to paper cartons (in gallon

sizes) of milk is one option, and the reintroduction of glass containers is another, but these solutions "may have a depressing effect on milk sales," he said. As a result, milk producers are "looking toward the packaging industry" to help develop alternatives.

Cheese, despite an off-year due to higher pricing forced by tight supplies, is seen to be growing at a faster rate than milk. Certainly, more forms of cheese are available than ever before. Producers including Sargento and Polly-O are marketing shredded cheese in resealable packages. Kraft offers single servings of microwavable Cheese Whiz Naturals, a brand of cheese slices with one-third the fat of regular cheese.

New from Polly-O is a group of grated cheeses marketed in eight-ounce canisters and four- and six-ounce plastic shaker jars with a shaker spoon top says Barbara Rose, associate brand manager. Flavors include romano, and parmesan-roman blend.

The New York-based maker also introduced reduced-fat ricotta, mozzarella and shredded cheeses that have "50 percent less fat than whole milk cheeses," she said.

"There's been an explosion in the cheese category. There's a lot of upside potential. There are a few key buzzwords—salt-free, fat-reduced and low-cholesterol. These [areas] are where the consumer trends are focused."

Cheese is increasingly being marketed as a healthy snack food. Polly-O expanded its successful String Cheese line, packaged in shrink-wrapped plastic, with pepperoni, cheddar and jalapeño flavors.

Yogurt, considered the fastest-growing product in the dairy case just last year, has seen its growth affected by other dairy snacks, according to some producers.

"Yogurt growth has slowed, primarily due to rapid explosion of other healthy meals and snacks, both in the dairy case and outside," says Rebecca Ryan, director of strategic planning for The Dannon Company (White Plains, N.Y.).

Before this year, it seemed yogurt's growth had no limit. According to Dannon officials, over 1 billion pounds were sold in 1988.

Sales almost doubled in a six-year period.

But today's refrigerated cheese snacks, pastas, ice creams and healthy "lite" meals have challenged yogurt right where it lives—they now offer the fresh taste, low-calorie content and convenience that were once yogurt's exclusive domain. Yogurt makers are fighting back by going to the same formulas that have meant success for other dairy products; there are now several low-fat and no-fat yogurts on the market, with more on the way.

"Our main introduction this year has been Dannon Light, a nonfat aspartame-sweetened

yogurt," says Ryan. "Dannon Light is now the number-one-selling light yogurt, with a 35 percent share of the light segment." The product's eight-ounce serving size has only 100 calories.

"The single-serving size remains the dominant form [of packaging] in the market, followed by large sizes and minipacks," says Ryan.

Other low-fat yogurt marketers include Weight Watchers and Sweet and Low. Tomsun is offering a lactose-free yogurt made from Tofu, and Kissle, a yogurt alternative, remains in certain markets. "Today, over 85 percent of all yogurts sold are classified as low-fat or non-fat," Ryan adds.

According to De Jager of the National Dairy Board, butter prices have fallen and sales have risen about 5 percent over the past year. Butter and butter "spreads" are being used more frequently as a gourmet cooking ingredient. Butter consumption, however, is down about 3 percent since 1960.

Margarine sales continue to decline, and are likely to keep falling in light of recent government studies that say the products oils and fats may contribute to heart disease.

Land O' Lakes is marketing Country Morning Blend Light, a mixture that includes 52 percent corn oil-butter blends. The standard blends generally contain no more than 80 percent vegetable fats.

Egg sales, predictably, have fallen in recent years as consumers identify the product with high cholesterol. Producers are attempting to lower the cholesterol level in eggs by feeding their poultry special natural feeds.

—BRIAN EDWARDS

Low-fat milks have driven milk growth for the last several years, and that continues to be the case.

CANNED GOODS

Continued from page 145

Other growth spots for Green Giant are nutrition-related. A 10-item line of beans marketed under the Joan of Arc label has adopted the Green Giant brand as it has been distributed in expanding markets, and a four-item line of vegetables with 50 percent less salt has been one of the company's "biggest hitters," according to a company spokesperson.

Regional flavors and nutritional concerns are also driving growth for S&W Fine Foods (San Ramon, Cal.). The company flags its cans with kidney and garbanzo beans with a message noting the fiber content of those vegetables, and its Redi Cut Tomato products have long catered to Italian, Mexican and Cajun tastes.

Noting studies showing microwave penetration to be near 80 percent in homes and 70 percent in offices, a microwave-and-eat product was an natural for Campbell Soup Co. (Camden, N.J.), according to

Kevin Lowery, manager of communications. "If you can put it in a microwave, it's doing very well," he says.

The company, which packages five Red and White soups in microwavable containers, launched the line last September and expects to go national with microwavable soup this October.

Compared with the microwavable segment, Lowery describes Campbell's canned soup sales as "flat, across the board." Along with a "back to basics" focus, the company is reformulating its Special Request line to have lower

sodium levels. Campbell also hopes its new Teddy Bear kids soup and Cream of Broccoli — "ingredient" soup gain loyal followings.

In all, canned soups were up \$104 million to \$1.47 billion at supermarkets, a 7.7 percent increase, according to CES figures. Dry soups, meanwhile, grew 4.0 percent in supermarkets, adding \$22.5 million for a dry soup total of \$581 million.

Oriental noodle soups took share from other dry and canned soups, according to Steve Leiken, a spokesman for Nissin Foods (Gardena, Cal.).

Continued on page 162

Despite trends favoring lower-calorie foods in many store departments, candy consumption continues to rise. Gum sales are also strong, though sugar-free continues to gain a larger share of the market.



Illustration: Steve Swenly

CANDY & GUM

■ In the final decade of this century, industry experts are predicting that candy and gum profits will be sweeter than ever. Supermarkets, because of their tremendous volume of business, are bound to reap a significant market share.

"Big things are happening because of the 25-by-'95 program," states Whitney Hill, trade relations director for M&M/Mars (Hackettstown, N.J.). "Our industry goal is to reach 25 pounds per capita by 1995. Right now, the per-capita consumption level is 19.8."

Hill's number, which comes from the National Confectioners Association (McLean, Va.), differs from the 19.0 pounds per capita figure released by the U.S. Department of Commerce. However, both represent a sizable gain from 16.1 pounds per-capita consumption in 1980 and 1981.

Hill, a veteran in the industry, estimates this increase in

candy consumption will generate an additional \$2 billion in retail sales, "and around \$1.6 million of that will be in supermarkets."

George Steele, a director of marketing for Leaf, Inc. (Bannockburn, Ill.), also spoke in glowing terms of the 25-pounds-per-capita goal, and he applauded supermarkets in general for the care they are exhibiting in the candy aisle. But he believes there is room for improvement as well.

"There is an emerging sophistication about the way the section is mixed and packaged," says the man who heads up Leaf's nonchocolate brands and seasonal sports marketing. "However, I would like to see more recognition. Rather than display five versions of the number one and two brands, recognize a variety of brands. We have to get over that hurdle, and allow more of us to show what we can do."

Hill, always innovative,

advocates the addition of a "fifth major holiday" to provide a major boost to confectionery sales. Valentine's Day, Halloween, Christmas and Easter, he opines, should be accompanied by "Candy Carnival."

A new holiday?

"Candy Carnival will be a fifth major holiday in May, which makes it a natural tie-in with National Candy Month," he says. "For it to succeed, all that's required from supermarkets is that they promote it the way they promote the other four major holidays."

Certain chains, Safeway, Kroger and Super Valu among them, began to capitalize on a "Candy Carnival" promotion this year; some chose to focus on June or July, rather than May, for the program.

"Candy's really on a roll—no pun intended," Hill says. "(But some) supermarkets don't realize the potential of confectionery. If somebody is

good, maybe he'll promote candy 15 times a year. Drug-stores market it 52 times a year. They understand its draw; it's an impulse buy. It's a really a bottomless pit."

Jim Falk, national sales manager for Brock's Candy Co. (Chattanooga, Tenn.), believes supermarkets should exercise better care in its confectionery aisle. Well-stocked, imaginative, orderly displays will attract far more customers, he reasons, than a sparse, sloppily maintained section.

Brock's, whose general line comprises more than 200 items, scored well this year with its "Olde World Gourmet Snack Line" promotion. It consisted of seven items, ranging from Gummie Bears (including sugar-free), Squirms and Piggies to three flavors of Fruit Snacks. The 5- to 5 1/2-ounce packages have a suggested retail of 89-99 cents.

For M&M/Mars, 1990 represents a milestone year for two of its major products: It's the 50th anniversary of M&M candies and the 60th anniversary of the Snickers candy bar. Snickers was the best-selling candy product in 1989.

Meanwhile, the company is investing considerable capital and energy in its "Mission from Mars" promotion, a three-month, two-stage program that began in August. "We've built a whole story line around the Mars promotion," Hill explains. "People on Mars lost all of their candy in a Mars-quake. And now they're coming to Earth to save Halloween."

Mars introduced three new flavors, wildberry, tropical, and tart 'n' tangy, to Skittles, the number one sugar confectionery item in the U.S., and planned to roll out PB Max, a peanut butter candy snack, this month. "It's made with real peanut butter, not peanut meal," says Hill.

Leaf, characterized by Steele as "an aggressive company with an arsenal of products," targeted a "Rock 'n Win" promotion for the back-to-school season. Instant-win prizes and free rock-group-poster offers are contained in over 60 million packages of Leaf brands, including Heath, PayDay and Clark. The grand prize is a trip for four to the 1991 Grammy Awards show.

On the sports side, Leaf recently renewed its contract with major league baseball for three more years.

Hershey Chocolate (Hershey, Pa.), the nation's leader in confectionery sales, is also involved with athletics, principally in its National Track & Field Youth Program.

"Hershey's sponsorship of the youth program," says national spokesperson Rafer Johnson, winner of the decathlon in the 1960 Summer Olympics, "is an expression of the corporation's dedication to the future well-being of the nation's young people."

Over 327,000 boys and girls, ages 9-14, from across the country participated in the program this year, of which 480 received all-expenses-paid trips to the national finals at Hershey in August.

Planters/LifeSavers (Winston-Salem, N.C.) reports burgeoning sales with two LifeSavers promotions early this year: a buy-two, get-one-free offer, and a package of four for

99 cents. Joe Collier, director of marketing for hard-roll candy and gum, forecasts continued growth for the industry and dispenses a helpful hint.

While The Topps Company, Inc. (Brooklyn, N.Y.) has gained its greatest acclaim as

'Supermarkets underestimate the potential of candy. They should promote it 52 weeks a year—not just 15.'

the world's leading producer of baseball cards, the company takes pride in its ability to capitalize on the latest entertainment craze. This past spring, Topps introduced Teenage Mutant Ninja Turtles cards and stickers with bubble gum.

"We keep our fingers on the pulse of the entertainment industry," Topps spokesman Ken Liss explains.

Meanwhile, teenyboppers in the group may fancy Topps' New Kids on the Block bubble gum cassette containers, which hold gum and photos of the superstar rock group. "There are 24 different photos in all," Liss says, "showing the New

Kids in both individual and group shots."

If Topps is the unsurpassed number one in baseball cards, Leaf's Steele would like to believe his company's Donruss cards are a solid runner-up. "Nobody reveals their figures," he says, "but we rate ourselves a strong number two."

One of the giants in the chewing gum industry, Wm. Wrigley Jr. Co. (Chicago, Ill.), manages high visibility with a modicum of promotion. The company gets its message across via more conventional advertising in the electronic media.

"We don't push," says William Piet, Wrigley's vice president for corporate affairs, "but 15 cents out of every sales dollar goes to advertising. TV and radio have tremendous impact for us."

Wrigley's, which will celebrate its 100th anniversary in 1991, is pleased with the market penetration of its sugar-free gum, Xtra.

So even despite the absence of sugar, gum profits should remain sweet in the 1990s.

—DON HARRISON

Herd of these?



It's not just a new brand.
It's a new breed.

In a category that is as successful as it is competitive, manufacturers are targeting increasingly fragmented niches based on price, age and lifestyle. Even mainstream foods have become a special niche unto themselves.



FROZEN FOODS

■ Frozen foods have come a long way from the simple TV dinners of yesteryear. The industry has been very successful in carving the market up into distinct niches, based on price (e.g., budget and premium meals), age (kid's microwavable meals and "nutrition controlled" dinners and entrees) and lifestyle (meals for those who live alone and those who worry about high cholesterol, for example). And within those niches, products are being developed for breakfast, lunch, dinner and in-between-meals snacking. Are there any niches left that are as yet untapped?

"The extraterrestrial is about all that's left," jokes Mike De La Garza, director of public affairs at H.E.B., a San Antonio-based chain of 170 supermarkets in Texas. We're so entranced in the health, price and age-specific trends that it's

difficult to say what the next niche could be."

The niche decade

"The '90s are going to be a real niche decade in this business," predicts Rick Parker, product manager for Tyson Foods(Springdale, Ark.). "It's tougher and tougher to hold the mainstream consumer. The mainstream premium frozen dinner is being assaulted from all sides—from the budget dinners to the healthy dinners. Those manufacturers who are providing products for a broad audience are finding that the audience is fragmenting," adds Parker.

As each new niche is created to meet a consumer need, manufacturers rush to provide products to appeal to that niche, thus further fragmenting the market. "Depending on the item, you either come out with a low-fat version, for example, to flank the mainstream product and protect it, or you push the

product into a specific niche," explains Parker. "But if you address every niche out there, you're going to end up with a product without the attributes that the mainstream consumer wants."

In today's marketplace, a consumer can fall into more than one niche. Which explains why the baby boomers who are interested in health and nutrition and who have helped make Healthy Choice a huge success are the same consumers to whom Stouffer's (Solon, Oh.) is targeting its line of Homestyle Dinners. Introduced in July, the line includes Homestyle Meatloaf in Gravy & Whipped Potatoes.

The nation is also into nostalgia these days—symbolized by the renewed popularity of diner food, a magazine called *Nostalgia* and the Mazda Miata—and "these dinners and entrees take advantage of the baby boomer trend toward 'comfort' foods," says Roz O'Hearn, public

affairs manager at Stouffer's Foods.

Paradoxically, the nostalgia trend—the good old days when no one knew from cholesterol—can comfortably coexist with the health trend, which has pervaded the frozen food market so completely that virtually the entire spectrum, from breakfasts to desserts, has been affected. In June, Weight Watchers introduced a 14-item line of calorie-controlled frozen breakfasts. "Weight Watchers benefited from the health trend," says De La Garza, adding, "they developed the breakfast category and brought new people into the category."

In test market, the line had a 7 percent share, according to Lois Brown, general manager of marketing at Foodways, the Heinz (Pittsburgh, Pa.) subsidiary that manufactures Weight Watchers frozen entrees and breakfasts, among other items.

At H.E.B., "Weight Watchers is a good mover, but it's well behind the Swanson's line," says De La Garza. And Swanson's wants to keep it that way. In September, the company will introduce Great Starts Harvest Grain Breakfasts, a three-item line—among them, Whole Wheat Pancakes with Light Links—that is lower in fat, cholesterol and sodium than "the traditional frozen breakfast entrees," says Megan McNichols, manager of communications, The Campbell Soup Co. (Camden, N.J.).

How will these new healthier offerings affect the full fat-and-calorie frozen breakfast market? "We'd like to think that we're bringing more users into the category rather than cannibalizing users of Great Starts," says McNichols.

"If through promotion and then actual trial by consumers the [reduced fat or calorie frozen breakfast products] are judged to be equally good in terms of quality, freshness and flavor to the competition, and also perceived to be better in terms of dietary concerns, then they will establish themselves in the niche and do well," says Rick DeSanta, director of communications at A&P, a multi-regional supermarket chain with 1,218 stores.

"But as with other introductions in a competitive field, the customers will make the decision, and as the subcategory becomes overcrowded, the slower movers will be culled

out," De La Garza feels that sales of regular frozen breakfast items will be hurt somewhat by the health trend, but adds that "the healthful items that are coming out will help [the category] recapture some lost sales."

Dual-income baby boomers are helping drive another trend: micro-wavable meals for kids. Since their introduction, such product lines as ConAgra's (Omaha, Neb.) Kid Cuisine and Tyson Foods' Looney Tunes

Meals have become a hit with busy parents who neither have the time to cook nor the patience to cajole picky eaters into cleaning their plates. "The kids' segment is the fastest growing of all in the frozen meal category," says Parker.

He adds that Tyson Foods is "extremely pleased" with how the eight-item Looney Tunes Meals line is doing since it

began national distribution in April. At H.E.B., which carries Kid Cuisine, the product "is doing great," says De La Garza. "It all ties back to dual-income families. Latchkey kids come home and have to make meals for themselves. The trend is

particularly strong in urban areas."

Many of the same trends affecting frozen entrees and dinners are also found in sales of frozen desserts, including ice cream, low-fat and nonfat ice cream substitutes and novelty

items. As with frozen entrees, consumers often straddle contradictory niches. "There is no clear trend; there are inconsistencies in consumer behavior," says Sandy Wood, director of research for the International Ice Cream Association, a trade group representing some 85 percent of the manufacturers and retail dip shops in this country.

'I wouldn't say that shelf-stable foods are necessarily a threat to frozen—but they are competition.'

To cite one example, "The same consumers who switched from ice cream to ice milk—affluent 50-plus year old white collar workers—are leading purchasers of upscale novelties such as superpremium bars."

For the third year in a row, sales of ice cream declined 5 percent, according to Wood. Concern over the fat and cholesterol content of ice cream may have contributed to this decline, says Wood, adding, "a lot of low-fat and nonfat premiums and superpremiums hit the market, and the price promotions used to support product introductions may have gotten people to try these new product."

Frozen yogurt is also steadily gaining consumer acceptance and is pulling new consumers into the frozen dessert market, says Wood. "Unless something dramatic happens, sales of packaged frozen yogurt are going to triple this year—just like last year. It's only penetrated 20 percent of the nation's households, so it's at the front end of its product cycle."

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Head and antlers above the rest.



It's not just a new brand.
It's a new breed.

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appliances as much." He adds that an in-and-out shipment of upscale gas grills proved to be a poor fit with store customers. "Not many people were coming into the store with \$400 in their pockets."

With "niche-killer" specialty retail formats stalking the U.S. landscape and squeezing margins on everything from home and garden supplies to appliances, toys and even video rentals, many food retailers have decided to avoid the temptation to become all things to all customers.

One sign of this back-to-basics push is the decreasing median size of new stores. Back in 1980, a typical new supermarket was 33,000 square feet, according to Food Market-ing Institute's "Facts About Store Development." By 1985, the median store grew to 40,000 square feet, then ballooned to 46,890 square feet in 1987. Last year, the median size settled back comfortably at the 40,000 square foot mark.

A constant conflict

At small urban supermarkets, space is so tight that GM is, by necessity, cut back, regardless of its profit potential. Anything less would start compromising the store's ability to compete with other supermarkets for its range of edible offerings.

"It's a battle," says Morton Sloan, vice president of Red & White (New York) with six urban supermarkets averaging about 8,000 square feet. "We like carrying these GM lines. They sell well and carry a good margin, but they do occupy lots of space. We do what we can—we try to utilize any nooks and crannies or air space—and it works."

With the average new store decreasing in size, it stands to reason that GM sales are faltering. But we interrupt this analysis for a surprise announcement: Dollar sales are still on the rise.

True, the 7.4 percent gain in 1989 sales volume represents a slowdown in growth from the previous year's 12.5 increase in volume.

But given the sizable existing base, and the declining space in the typical new store, 1989's 7.4 percent gain is impressive. The likely factors? Higher prices, more promotions, better space utilization, more net GM selling space, or a combination of the above.

The statistics may give the impression that dollar sales in GM at supermarkets everywhere are rising as inexorably as the costs of doing business.

That may be true in a macroscopic sense. But for that to be the case, GM managers have to constantly assess the competition in a multitude of retail segments, then tailor their merchandising, pricing and promotional strategies accordingly.

One case in point is video rentals. In 1989, dollar volume from video rentals was still growing, with a 14.7 dollar increase on top of 40.6 percent gains from the previous year.

But many nonfoods managers, watching local market conditions, are reconsidering the segment's long-term profit potential. "The Blockbuster-type stores have taken some punch out of supermarket video departments," says Peter

J. Schmitt's Shively. "Most stores can't compete with their 19,000 titles and everything else that they do."

The key, Shively says, is, once again, to harness sales in the most cost- and space-effective way, with an eye toward the likelihood of demand from the typical supermarket shopper. "We do well by being right there with shippers of hot videos such as *Dick Tracy*, *Ninja Turtles* and *The Simpsons*, and what I call the faddish goods—T-shirts,

posters and squeeze bottles."

While most retailers cite strength in the basics, there's still plenty of room for surprises. Kilgallon reports a good consumer response to some relatively high-ticket items "that you'd never think of finding in a supermarket before." One example—water purification systems.

Kilgallon adds that small

Every nonfoods manager can think of many GM categories that would benefit from a few extra feet of space.

appliances—"the basics: coffee pots, toasters, irons, hand-held vacuums"—do surprisingly well, although he adds the store's margins on them are "below normal GM margins."

Fax services, meanwhile, "have not been as hot as we anticipated" in the few locations where they are currently available, Shively says.

Among "loser" categories this year, microwave cookware surely ranks as one of the most counter-intuitive. Its 20.8 percent loss contrasts starkly with statistics showing 80 percent household penetration levels for the high-tech ovens.

"For us, the microwavable housewares category has been hot and cold," Shively says. "With all the dinners being sold in their own trays, we haven't done well with those [tray-type] items."

"At the same time," Shively continues, "we've done very well with items that aren't specifically for the microwave, but are marketed as being good for the microwave as well," he says, citing Rubbermaid food storage containers as a case in point. —FRANK HAMMEL

Don't make your customers hunt for them.



It's not just a new brand.
It's a new breed.

Greeting cards turn great profits. But while card manufacturers concentrate on building traffic in the card aisle, some supermarkets are examining how the category can enliven sales in the GM section and storewide.



GREETING CARDS

■ Greeting cards constitute the single most profitable product category in almost any supermarket that sells them. But that might not be enough. As greeting card manufacturers further attune their programs to the supermarket distribution channel, some folks at retail are considering how to use the growing category as a spark to galvanize frequently languid GM departments.

Many supermarkets' storewide holiday promotions are founded upon the strong seasonal merchandising programs devised by greeting card manufacturers. Some supermarket operators have placed greeting cards centrally in their GM/HBA sections. They hope that consumers will funnel through to discover—and patronize—the rest of the department.

The goal of better consumer patronage of GM/HBA by

supermarkets often remains elusive, and many supermarket operators realize they need a magnet that will attract the customers to a department that frequently pales in comparison to other operations, especially perishables and service counters. But because they are merchandised, maintained and marketed by the greeting card manufacturers, greeting card sections are more colorfully presented and promoted than other general merchandise operations—offering supermarkets an opportunity.

In supermarkets with otherwise healthy traffic, observation often reveals GM aisles that are virtually unpopulated. In such cases, the greeting card aisle is often an exception. Supermarket customers have discovered that many supermarkets now offer the quality and variety that they demand.

And yet, according to the manufacturers themselves,

only two in 10 supermarket supermarket customers buy greeting cards where they get their groceries. The manufacturers are anxious to boost that number, especially because their figures indicate that 86 percent of customers who decide to give the supermarket greeting section a try come back for more.

Market share doubles

There's no doubt that supermarkets have benefited from greeting card manufacturers' efforts to build business among food retailers. As a channel of distribution over the last 10 years, supermarkets have doubled their market share to more than 13 percent.

While other mass market outlets also have gained share, the pace has been slower. According to Ambassador Cards (Kansas City), the mass market division of Hallmark Cards, Inc., discount stores' market share of greeting cards grew by about 13.8 percent in

the period from 1978 to 1988, while the share of market claimed by drugstores increased by about 11 percent. During the same period, supermarket market share grew by 43.9 percent. The market share losers were specialty shop and mail-order operators, who together lost 15.7 percent.

"When you talk to customers," says Don Fletcher, vice president of product development at Ambassador, "they'll tell you the primary reason they do not buy more cards in supermarkets is because of lack of variety and selection. They have a perception that the food store does not carry a broad enough selection. So one emphasis we've had over the last couple of years is to ensure that the supermarket customer realizes that all her greeting card needs can be satisfied in that store."

Bigger fixtures, more variety

In recent years, manufacturers have introduced fixtures that can carry more cards, more prominently in less space. They also have broadened card offerings in supermarkets, especially for "any day" cards, which express a sentiment not tied to a special occasion. Such cards have been primarily responsible for driving category sales for the last several years. Finally, they have developed promotions that boosted awareness among supermarket customers.

"You've got to enhance your product offering, which we have done substantially over the last couple of years," says Fletcher. "And we're going to be introducing more programs this year, which expands our total greeting card offering by another 20 feet. Once you've got the product there, then you have to communicate it to the consumer. We're doing that through Season Plus."

The current Ambassador promotion program, Season Plus combines an expanded product selection for a specific list of holidays—including Christmas, Easter, Mother's Day, Father's Day and—for the first time in 1990—Valentine's Day, in addition to point of sale and other promotional material. Each promotion combines a holiday theme with proprietary material including the company's two key licensed properties, Peanuts and Garfield cards. According to Ambassador, the new Season

Plus promotion for Valentine's Day boosted greeting card sales for its major customers by 15 to 20 percent.

"We've recently introduced the program for 1991, and the theme of it will be Norman Rockwell, which again is an exclusive to Ambassador," says Fletcher.

Other major greeting card manufacturers cite and respond to most of same the trends as Ambassador, but not necessarily in the same way. For example, while Ambassador's promotions revolve around its licensed card programs, American Greetings (Cleveland, Oh.) has taken more of a niche approach to the market. The company identifies specific demographic groups and develops product lines to meet their demands. These include non-traditional and frequently off-beat product lines such as Forget Me Not

and Kid Zone, a card line related to Forget Me Not, but specifically designed for children to send to other children.

For holiday promotions, Ambassador offers promotional displays featuring themed cards and related seasonal

paraphernalia such as themed party goods, streamers and giftware. Similar promotions are offered between holidays, with themes such as Victorian Elegance, a display offered to retailers this year that featured wrapping paper,

ribbons, bows and related items with Victorian floral motifs set in an end-aisle display.

According to Herb Bauer, executive director of national accounts for American Greetings, creativity is the key to future success.

"Creativity, staying on top and making sure you're com-

ing out with a product that will sell, that will be important," says Bauer. "That's especially true of the alternative card where the trends change a lot."

For evidence of success, Bauer cites American Greetings' Couples card line, which enjoys high sales among men. "Research shows that 30 percent of the purchases there are being made by males, where a higher proportion of any line is usually purchased by women."

To better target its audience at retail, American Greetings has established a demographic national database that it uses to help set business strategies. While other greeting card manufacturers use demographic and market information in their decision making, American Greetings has been the most aggressive in promoting demographics as a service.

Called Street Smart Demographics, the company has developed a program that applies information to location to develop the best product and merchandising mix for

Continued on page 201

Ultimately, retailers are likely to borrow from both the 'core-business' and 'outposting' approaches.

There's still time to get them on your rack.



It's not just a new brand.
It's a new breed.

Despite strong competition from other classes of trade, about half of all HBA purchases are made in supermarkets—and the number keeps increasing. Trends for individual product groups are mixed.



Illustration: Paulette Bogan

HEALTH & BEAUTY AIDS

■ Consumers continue to turn to the supermarket for their HBA products. It's a trend started in the mid-'80s, and one that isn't likely to change in the next few years, buyers say. And there's good reason: Consumers today are discovering what so many others learned during the last decade—there aren't enough hours in the day.

Supermarket retailers around the country are also reaping rewards from this trend. HBA products offer some of the highest profit margins. In fact, allocating as little as 4 percent shelf space to HBA products can produce as much as 30 percent in gross profits. Is it any wonder why retailers are giving these products more space?

"Not at all," stresses John Sico, retail pricing manager at Waldbaums Supermarkets in Central Islip, N.Y. "HBA

products are a growing segment in the marketplace and have been for some time. That growth has been stimulated by increased competition, but I think you will see an even greater number of companies vying for business in the years ahead."

As they have in recent years, grocery stores continue to control nearly half of all HBA sales, according to A.C. Nielson. And to think, only seven years ago drugstores had 40 percent of the HBA market. Many supermarkets have placed pharmacies in their stores and made them an integral part of their overall operation. And that's another trend likely to continue.

For the year ending March 23, 1990, the big performers among the 57 HBA categories tracked by Arbitron/SAMI (New York, N.Y.), a leading market research firm, varied

greatly. They ranged from razor blades, mouthwash and hand and body lotions to deodorants, dentifrice, and first-aid antiseptics. All sales figures below were provided by Arbitron/SAMI.

Hair care shines

Shampoo sales rose \$721.6 million, up 3.5 percent. Shampoos actually represent \$2 billion in sales when you consider related products, such as conditioners, sprays and hair fixatives. Much of last year's growth was due to the increase in the use of fixatives, according to industry sources.

"There's a resurgence for curl among young people, which has been good news for fixatives, particularly gels and spritzes," says Gene S. Ringuette, vice president of sales at DowBrands Personal Care (Minneapolis, Minn.). L'Oreal, which was the first to hit the market with a mousse earlier in the decade, is among companies in this category that

have stepped up their efforts to promote fixative products.

Salon products have had a strong showing, as well. That's understandable when you consider the growing number of working women who don't have time to visit a salon.

PermaSoft has been benefactor of this development. PermaSoft is a salon product that features a shampoo, conditioner, hair spray and fixative. It has been increasing its share of the market since it was introduced in 1984.

Razor blades manufacturers fared well, as the face of the market began to make some noticeable changes. While razor blades sales increased to \$331.5 million, up 6.9 percent, permanent systems began to post strong gains. Buoyed by a \$35 million advertising campaign, Gillette's Sensor razor led the way.

Keith Buchanan, a marketing executive with Warner Lambert (Morris Plains, N.J.), which sells Schick blades—Gillette's biggest competitor, claims that Gillette is grabbing a bigger piece of the market with Sensor "at the expense of its disposable blades," namely the Good News blade.

W. Scott Roberts, vice president of brand marketing for Gillette in Boston, Mass., offers another perspective: "Retailers should emphasize the value of cartridges, because this is the way the industry is going in the future. Cartridges are leading the market expansion and offer the best gross margin opportunity."

By the end of the year, Gillette expects Sensor to capture an 8 or 9 percent share of the \$752 million blade business, provided it can supply retailers, according to Roberts.

This fall, Warner Lambert plans to launch a new product called the Slim Trim Plus lubricating system with Aloe, which the company is hoping will slow down Sensor's momentum.

In 1950, you could count the number of available mouthwash products on one hand. Today, there are approximately 15 major brands vying for a place on the shelf of every American's medicine cabinet. And while all of the companies competing in this area are trying to carve out a niche for themselves, collectively they are making moderate gains.

Mouthwash sales were up only slightly (2.4 percent) on

\$379 million in sales. Plax, which is positioned as the mouthwash that fights plaque, was responsible for a significant portion of that gain, as it moved into the number three position, just behind Scope.

Warner Lambert, which manufactures Listerine, has successfully used the product's therapeutic benefits to increase its household penetration from 48 percent in 1987 to over 62 percent today, according to Lawrence Horner, senior product manager of Listerine and Listermint.

Toothpaste, the largest category in the oral hygiene group, showed only a modest gain (0.3 percent) on sales of \$714 million, but toothbrushes turned in a significant gain (11.2 percent) on \$153.7 million in sales. The increase was due in large to the sales success of Oral B Ultra.

Breath fresheners, led by

Binaca, recorded \$9.8 million in sales, a 3.7 percent gain. Denture adhesives had \$62.5 million in sales, a 5.7 percent increase; and dental aids, which include dental floss and water picks, rose 8.7 percent on \$33.8 million in sales.

Spray deodorants now use hydrocarbons, not fluorocarbons, but the change has not received much attention.

"Sales of deodorant sprays were hurt a few years ago when fluorocarbons were accused of eliminating a part of the ozone layer," recalls Alan Miller, a marketing consultant with Arbitron/SAMI. "Manufacturers have since

replaced fluorocarbons with hydrocarbons, but they have not received much attention for making these products safe again."

Stick deodorants have picked up market share since then, not only because they may be perceived as a better alternative environmentally but because they have also shaken the reputation that they

are ineffective as an antiperspirant. Two of the products recently introduced that are doing well in this category include Degree and No Sweat.

Not much new is happening in the hand and body lotion group. "Three or four years ago, you had a few new products coming out of this category annually, but not a single new product came out of this group last year," says Miller.

Nonetheless, sales are still strong. The \$224 million hand and body lotion market was up 1.9 percent.

The first-aid antiseptics category, which included such products as Ambersol, Benadryl, and Solarcaine, increased \$106.3 million, a gain of 9.6 percent. First-aid products, which include such items as bandages, cotton pads and swabs, tallied \$251.6 million in sales, an 8.6 percent gain.

Finally, contraceptives, which include condoms, increased to \$39.3 million, up 18.8 percent. With concerns over AIDS still very much on consumers' minds, sales are expected to continue to surge.

—DOM DEL PRETE

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Continued from page 150

who cites SAMI figures showing a 19 percent unit share in December 1989, up 1.8 share points from the previous year. Leiken said canned soup share, meanwhile, was 74 percent.

Canned fruit

Although canned fruit mustered only a 3.3 percent gain, to \$1.26 billion in supermarkets in 1989, that relatively flat growth rate contributed an additional \$40 million to the already sizable canned fruit category. Convenient and healthful value-added products gave the otherwise stable category a glint of growth.

With packaging showing freshly picked and sliced fruit, Del Monte hopes to appeal to the anti-sugary syrup crowd with its four-item Fruit Naturals line, which is to roll national by the end of the year.

Dole Packaged Foods (San Francisco) is expanding distribution of its canned Tropical Fruit Salad, with

yellow and red papaya, pineapple, guava and sliced banana, packed in "lightly sweetened" syrup and passion fruit juice. The product is expected to be fully national by 1991.

S&W Natural Style Fruit, packed in its own juice, fits in with the company's efforts to woo value-added and fresh-minded customers into the canned food aisle, according to Richard Fink, vice president of marketing and corporate development.

Shelf-stable juices

With a 6.6 percent, \$181 million gain for a supermarket total of \$2.9 billion, bottled, canned and aseptic juices contributed the largest share of the increase to the canned/shelf stable category.

"Apple juice has rebounded from its depressed condition of a year ago," says John Moreton, vice president of marketing for Ocean Spray (Lakeville, Mass.). Moreton adds that strong performances from blended flavor products contributed to category growth.

Ocean Spray's Cranapple and Cran-Grape date back to

the 1960s, its Crantastic debuted in early 1982, and its Mauna Lai guava fruit drink appeared in 1985, according to Cathy Loranger, a spokesperson. The company's most recent juice introduction was Guava-Passion, in 1987.

More recently, Tropicana (Bradenton, Fla.) has been shaking up the bottled juice category with its Tropicana Twisters, introduced in May, 1988. Citing annual movement of over 100 million cases, the line is considered "one of the best product introductions ever, in the grocery industry," according to Terri Holloway, a spokesperson.

Dole Packaged Foods (San Francisco) has also made a big splash in the dry grocery section with its Pure 'N Light, positioned as an any-meal beverage with a light taste.

Canned fish, meat, and milk

Growth for canned fish and seafood, while a modest 3.7 percent at supermarkets, still boosted the category to \$1.57 billion, a \$56 million increase. It remains to be seen whether the decision among major manufacturers to go "dolphin-

safe" will have a major impact on 1990 dollar volume, either through augmented consumer demand or supply price increases. But few retailers are bracing for major changes.

"I don't think there will be a significant impact," says Bob Benner, grocery buyer at Haggen Inc. (Bellingham, Wash.). "As a company, we were acquiring dolphin-safe product anyway, even though it wasn't labeled that way."

Other items in the canned fish section include canned surimi from the Berelson Co. (San Francisco), makers of Sea Legs. Their imitation crab and lobster were introduced in August, 1989, and are currently in nine U.S. markets.

The canned meat segment continues to lose overall ground to other canned food products. As a whole, the category slipped by \$34 million in supermarket dollar volume, a 3.3 percent decline, to \$997 million.

Rounding out the canned foods category, canned milk was flat at \$285 million in 1989, a \$4 million, 1.4 percent increase over the previous year. —FRANK HAMMEL

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as big as oat bran was when it came out."

"The research about oat bran had a big impact," acknowledges Karen MacLeod, spokesperson for Kellogg Co. (Battle Creek, Mich.). But while oat bran cereal sales "stabilized," MacLeod adds that "overall, consumers are looking for something that's healthy, that tastes good and is convenient."

Psyllium was the hardest hit by growing consumer skepticism about ingredient health claims. Commonly used in laxatives before it was introduced to food products, psyllium was a key part of General Mills' Benefit and Kellogg Co.'s Heartwise, both introduced in 1989. Benefit was discontinued in January, and Heartwise is performing below expectations.

Basics show strength

For the cereal category as a whole, most retailers are bullish on prospects for slow, steady growth. "I don't think the cereal category's declining at all," says David DiGeronimo, vice president and grocery buyer for Victory Super Markets (Leominster, Mass.). "I see the shift is going from the real sugary cereals to Cheerios, Wheaties and Corn Flakes instead."

Kathryn Newton, a spokesperson for General Mills, says sales strength from venerable brands such as Cheerios, Wheaties and Kix have indeed kept the company's cereal share at a solid 27 percent, but cites Lucky Charms as an example of continued sales strength among some pre-sweetened brands.

Other evidence of sustained presweetened strength include Kellogg's estimate that 50 percent of its Frosted Flakes cereal is consumed by adults. Also, one of the hottest new products last year from Post Cereals/General Foods (White Plains, N.Y.) was Marshmallow Alpha-Bits.

"We see four things really driving the cereal market," says General Foods USA spokesperson Nan Redmond. "Nutrition and health, taste and variety, convenience and good price value."

If there's a "hot" sub-segment in the cereal aisle, it may be products that compete effectively with the basics as a "healthier" but still flavorful cereal for kids and adults.

"Mothers are trying to get kids to eat the basics," Victory's DiGeronimo says. "For themselves, they're buying the all-natural, high fiber cereals," he adds. "They are real popular with the elderly as well."

Kellogg's Bigg Mixx, introduced in April, combines rolled oats, toasted flakes of corn, rice and whole grain wheat, lightly sweetened with brown sugar and cinnamon flavoring. Along with Kenmei rice bran (also available with raisins and almonds), Kellogg introduced Heartwise and Oatbake within the last year.

Post/General Foods' Honey Bunches of Oats, which has passed the 1 percent share mark since its national introduction in June, 1989, hasn't suffered severely in the post-oat bran era, despite the fact that "the intense appeal that oat cereals enjoyed has cooled down," according to Redmond. "Nutritional benefits are a big

factor in initial trial," she explains, "but I think, following that, taste has always been the real factor that motivates repeat purchases."

On the whole, manufacturers are quieter this year on the new product front. General Mills' most significant new product in 1990, for example, was a line extension. Oatmeal Crisp, which was introduced nationally in February, is the equivalent of Oatmeal Raisin Crisp, without the raisins.

Quaker Oats Co. (Chicago, Ill.), which rode the oat bran wave with Quaker Oat Bran in 1989, introduced Quaker Crunchy Rice Bran earlier this year. The company also introduced a topping ingredient called Quaker Honey Crunch Rice Bran.

Nabisco Brands (Parsippany, N.J.) shifted its 1990 focus from new products to fine-tuning existing brands with new packaging, flavors, formulations and promotions, according to Caroline Fee, a spokesperson.

So far, no manufacturer has announced plans for a box-trunk shaped cereal to tie in

with Bart Simpson's word balloon slogan, "Eat My Shorts." But Ralston Purina Co. (St. Louis, Mo.) has spooned out a successful niche with presweetened cereal ties to movies, TV and toys.

"The market seems strong, and we continue to have a lot of success in licensed cereal products," says Pat Farrell, a Ralston Purina spokesman. Recent product introductions include Batman and Teenage Mutant Ninja Turtles.

While Quaker Oats retains the top two slots on the still-seasonal hot cereal category, others will be making a bid to increase business this year.

General Mills, which recently introduced Oatmeal Swirlers, which allows kids to create shapes by swirling a fruit puree in their bowls, is launching a new hot cereal this month, Under Cover Bears.

Nabisco, meanwhile, is promoting its all-natural formulation for Cream of Wheat and has added a new flavor, Honey Bran, a combination of red wheat and oat bran, sweetened with honey.

—FRANK HAMMEL

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Although some general-interest publications have been losing readership, overall magazine sales are increasing because of record numbers of new special-interest launches. Retailers can do more to improve sales in this profitable category.

PERIODICALS

■ Neatness counts.

It counted in the third grade at Union School ... and it counts in the periodicals section of local supermarket.

"The thing that grabs me," declares Jack Fitzmaurice, Jr., president of the Periodicals Institute of Fairfield, N.J. "is somebody putting a magazine back in the rack with the cover not even in view. That's a sure way to kill sales."

Fitzmaurice's monthly publication, *Periodicals Merchandiser*, addressed this all-too-frequent problem earlier this year. A magazine cover, it stated, has "to work hard and fast to capture the attention and dollars of the potential reader." According to a New York Times Magazine Group study, the sale is lost if it fails to sell the consumer within five seconds.

Five seconds. "It's a very tough gig," Fitzmaurice points

out. "The wholesaler puts the product up and takes it down. But the retailer should be concentrating on his stock. It doesn't take long for somebody to straighten it out."

The rationale that "if my customers want to buy a magazine, they'll find it," is lost in today's remarkably competitive, highly specialized, cluttered market. Hundreds of titles are vying with each other and with other divisions—the electronic media, the now ubiquitous videos—for the consumer's attention. A slovenly kept mainline display or checkout rack is a certain way to discourage sales.

In most cases, probably no more than 10 minutes of maintenance are required each day to keep displays neat and orderly—and increase business, claims the Periodicals Institute. "Some stores don't even move magazines from the less-used checkouts," says Fitzmaurice.

The solution? "Assign one person to periodicals—make them his or her daily responsibility," he suggests. "An all-category display of neatly kept titles in a high-traffic area makes selection easy and ensures the sale."

Lawrence Gunn, president and chief executive officer of Time Distribution Services (New York City), tackles the subject from a different angle: Empty shelves. "Supermarkets should treat magazines as they treat other products in their store; i.e., if Crisco shortening is empty, somebody goes to the back room and puts Crisco on the shelf," Gunn says.

"But because of the consignment element, store personnel don't feel compelled to replace periodicals when the pocket is empty. This is wrong. During down time, the clerk should fill those empty pockets at checkout. You'll see those sales increase."

Alex Urban, retail marketing manager for Murdoch Maga-

PERIODICALS

zines Distribution (Radnor, Pa.), believes obsolete titles are another deterrent to potential sales. With the exception of bare shelves, there's nothing worse than a six-week-old copy of *Sports Illustrated* or *Soap Opera Weekly* occupying a prominent place in the periodicals display.

"There should be immediate stocking of new releases," Urban says. "Don't let them sit in the back room. And check-out, in particular, should be stocked properly. We couldn't have enough manpower to stock and dress the displays."

Despite a sluggish economy, competition from the electronic media and ill-kept mainlines, the publications industry appears to be thriving. Riding the crest of the special-interest magazine boom, retail sales exceeded \$6 billion in 1989 for the first time in history. Sales rose 5.2 percent over 1988.

As one periodical disappeared, six others arrived to

take its place (there were 584 startups in 1989, or 100 percent more than in 1985). The popularity of many general-interest publications may have waned, but hundreds of special-interest titles are booming. Clearly the pluses outweigh the minuses.

"It's always a sizable category," says Fitzmaurice, a recognized industry expert. "Miscellaneous housewares is the only GM category that exceeds it. Business is very healthy."

Urban, whose company publishes the enormously successful *TV Guide* as well as *Women's World*, *Mirabella*, *Seventeen*, *Soap Opera Digest* and six other titles, believes Murdoch is heavily tilted toward supermarkets. "Our publications are geared to the mass market," he says.

One segment of that market, heretofore overlooked, is being

broached this fall. In September, Murdoch introduced *Men's Life*, a general-interest monthly publication "for the men who are leading the Baby Boom generation into the '90s."

Explains Urban, "It's for the man who is comfortable to be with himself, the emerging baby boomers between the ages of 30 and 49."

Research reveals that this audience, nearly 40 million strong, is magazine-oriented, with a readership that is 65 percent higher than the U.S. average. Conversely, their time spent in front of the TV set is 43 percent lower than the national norm. "We believe the time is ripe for this launch," Urban says.

The company's flagship, *TV Guide*, has taken heavy hits in recent years from cable television guides and the improved, more sophisticated offerings

from metro newspapers. Nonetheless, it continues to sell nearly 17 million copies each week. Seventy percent of the single copy sales are accounted for in supermarkets, generally at checkout.

"The growth isn't what it was in the 1970s, when we increased a million in sales every year," Urban concedes. "To compete more effectively, we're breaking out new editions that are customized, cable-specific. Promoting *TV Guide* is kind of an ongoing thing. We've created point-of-purchase displays, special shopping cart displays. For the annual "Fall Preview" issue, we'll generate over 1 million additional copies, with supermarkets being the primary recipients."

Several of Murdoch's other ventures are on the upbeat, notably the biweekly *Soap Opera Digest* ("Consistently over one million copies"), *Soap Opera Weekly* and *Women's World*, whose features include bound-in recipes.

With such blockbuster titles
Continued on page 205

Research shows that a magazine sale will be lost if the cover fails to sell the consumer in just the first five seconds.

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People are pampering their pets with fancier new foods, ranging from low-calorie to gourmet. Cat food sales are particularly strong, with double-digit dollar growth the past year.

PET NEEDS

■ In the '90s, the return to family values has rewarded the family pet with a privileged place in the household. Although the pet population is climbing only modestly, with new cat owners outnumbering new dog owners, sales of "luxury items"—premium foods, snacks and toys—continue to rise strongly.

For example, whereas supermarket sales of wet cat food increased by 6.2 percent from a year ago June, according to data from Arbitron/SAMI, ultra-gourmet wet cat food enjoyed a 12.2 percent growth in dollar volume sales. More and more, people are treating their pets like members of the family.

In response, pet food manufacturers continue to produce new premium products, a category that had already seemed to be quite saturated. Chris Green, marketing director for Kal Kan

(Vernon, Cal.) remarks, "Ultra-premium products are doing extremely well." Kal Kan's premium canned cat food Whiskas and its ultrapremium brand Sheba continue to expand, adding new flavors to their lines. Green says, "All the growth is fueled by higher delivery." Cat owners want to give their pets a high-quality product that is palatable and aesthetically pleasing—presumably, to the cat as well as to the owner.

"We've seen good sales for gourmet cat food items, especially some of the top lines," says Paul Anderson, head buyer for Ball's Super Food Stores (Kansas City, Kan.). "But in the last two months, we've seen a softening [in demand] along with cost increases [from the manufacturers]. So far, we've been able to maintain our margins, although I feel there's been a little customer resistance to the higher prices."

Carnation Pet Foods' (Los Angeles, Cal.) Friskies PetCare division introduced Fresh Catch seafood for cats, a line of seven canned seafood products, in January 1990. According to Carnation spokesperson Dick Curd, "After extensive research, it was concluded that there is a market for an entire product line devoted to seafood." Carnation plans to extend the line if it continues to thrive.

Low-fat cat food

The leader in the canned cat food category is, of course, Heinz's 9 Lives. This fall, Heinz (Pittsburgh, Pa.) is introducing Lean Entree, a 95 percent fat-free canned cat food. Bob Chapek, the marketing manager in that area says, "Heretofore, these kinds of foods were only available in specialty stores or veterinarian's offices, and therefore supermarkets have been losing a significant business opportu-

PET NEEDS

nity. This area is where a lot of growth is and, until now, the grocer hasn't been able to participate." Heinz predicts that Lean Entree will bring in fat sales.

Alpo Petfoods (Allentown, Pa.) introduced its first canned cat food, bearing the grinning face of Garfield, last October. Judi Kroeger, an Alpo spokesperson, says "Sales have been extraordinarily successful. The numbers are solid, and we already have the number four market share." Alpo took five years to develop the cat food, and plans to add line extensions. According to Kroeger, dollar sales for the past nine months show that Alpo cat food is the best pet food launch in 10 years: In several markets, it has gained better than a 20 percent share.

Edward Lowe Industries, known for their dominance in the cat litter market, introduced Perfect Menu, a premium-quality dry cat food in March 1989. This year, due to the brand's success, they've added a chicken flavor.

Ralston Purina's (St. Louis, Mo.) major new product this year is DeliCat brand cat food. Spokesperson Patrick T. Farrell says, "DeliCat is a premium dry cat food in a recyclable plastic jug. It's an innovative new product in an innovative new package." Because of its unique packaging, DeliCat is readily noticeable among the standard cans and bags in the pet food aisle. DeliCat is the only premium dry cat food to be launched this year.

If it seems to you as though there are too many new cat food products to keep track of, not to mention the old standbys, you're not alone. Experts in the industry are worried that this proliferation will soon need to be curtailed. Heinz's Bob Chapek notes, "This category has gotten increasingly segmented over the past several years, with a great influx of new brands and products. I don't doubt that [the growth] will continue, but you have to wonder when the category will max out." A spokesperson for Winn-Dixie agrees that there is a battle for space on the shelf. He says that their stores usually stock most

of the new pet products and their variations, but that, in the long run, only five or six out of every hundred new products survive.

Dog food down, treats up

Dog food sales, on the other hand, have actually declined somewhat in the past year, and relatively few new products have come into play. According to sources at Arbitron/SAMI, although wet dog food sales were up by a modest 4.8 percent since June 1989, dry dog food was down 1.1 percent and semi-moist sales were down by 11.3 percent. However, dog owners appear to be babying Fido too, as treats were the largest growth category, with increased sales of 5.6 percent over the same period. Among snacks, digestible toys (rawhide) earned the biggest gain, with dollar sales increasing by 11.4 percent.

Superior Brands, underdog only to Hartz (Harrison, N.J.) in dog treats sales, continues to show healthy growth. In fact, the major hindrance to expansion in their rawhide line is not lack of consumer demand, but short supplies. Bern Terry, Superior's national accounts manager, says, "The big question is, can we keep up with growth, given that beef consumption is down and the cattle hides available [for rawhide] are down?" Superior has had to postpone some major promotions due to the shortage of raw materials.

Even so, Superior Brands has come up with a new twist for its products. Terry says, "We've added a tartar control ingredient in some of the flavorings in the gravy—it's the same product that is put in tartar control toothpaste." He reports that the dental-friendly dog snacks are doing very well, despite the fact that rawhide alone keeps canine teeth in good shape.

Bought by Carnation earlier this year, Superior Brands hopes to benefit from cooperative couponing and marketing with Carnation products.

Purina introduced Moist 'n Meaty Lean dog food in

January, 1990. The product has 25 percent less fat and salt than its regular brand and uses real beef. Patrick Farrell says Moist 'n Meaty Lean is "aimed toward Americans' emphasis on diet and health."

It seems that Americans transfer their dietary concerns to their pets. Perhaps if a pet owner has been eating too much, it may be more likely that he has been overfeeding his pet as well. In that case, projecting a need to diet on one's pet makes sense.

Alpo's Judi Kroeger says that the company's dog treats and light dog food are doing well and that the promotional levels for those products are being increased. Sales of specialty food products for dogs seem to be leveling off, though, as the overall numbers for puppy food and light food have decreased in the past year. Indeed, no new puppy

products were introduced this year by any of the major pet food companies.

Concerns over Lyme disease

Flea and tick collar sales are up, in part, according to Roger Waters, vice president of marketing for ConAgra (Omaha, Neb.), because of the tick-producing

weather of last year and the threat of Lyme disease. Waters says, "Lyme disease has been around for years, but I think it's on people's minds because of the notoriety it's received in the East." Waters also notes, "Lyme has raised awareness of ticks and how they travel, which is an indirect benefit for our market." Capitalizing on the public interest, ConAgra has produced an educational videotape about the life cycles of fleas and ticks and how to spot potential infections.

ConAgra purchased Sergeants Pet Products in June 1989. Together, the two companies now have a distinctive presence in the pet accessories industry. Waters says the acquisition, "doubled business overnight and made us a legitimate number two [to Hartz] in the marketplace." Among other benefits, the acquisition has allowed

ConAgra to use Sergeants' research and development facility.

Cat litter sales are up substantially from a year ago. Edward Lowe Industries' director of marketing Steve Levy says, "We introduced the Tidy Cat MC [Multiple Cat] product this year, and it's doing very very well." The new litter is formulated to handle the higher levels of odor and activity created when two or more cats use one litter box. He points out that 43 percent of cat-owning homes keep more than one cat. The new litter seems to have found a profitable niche.

Stackable cans

When asked about the impact of environmental issues on the market, many company spokespersons commented that they are introducing recycling symbols to their packaging, even if, as often is the case, the container has been recyclable all along. Bob Chapek of Heinz makes this point: "Some consumer education needs to take place, because consumers aren't aware of the benefits of steel for recyclability."

Dick Curd of Carnation (who also mentioned that they were the first to introduce a single-serving pop-top can) announced that Carnation is now selling Friskies canned products in indented, stackable cans. He says, "Shelf stackability is something that grocers have been asking for for years, and now we've redesigned the can." Curd suspects that other makers of canned pet food will soon develop a beveled can as well.

As to the newly opening markets in Eastern Europe and elsewhere, many pet products manufacturers say that they are already marketing abroad, but several mention that they see foreign marketplaces as potential growth areas. Chris Green of Kal Kan notes, "There are a number of growth markets for us. We opened up Korea this past year, and we're very excited about it." Purina's Farrell says, "We've seen a lot of growth in Spain and Portugal, and we've had success in the Pacific Rim nations as well."

One would suspect that increasing worldwide commerce will enable pet food producers to continue expansion abroad.

—KAREN ANDERSON

The cat food category has become increasingly segmented over the past several years, because of a great influx of new brands and products.

Produce sales grew strongly. And when it came to the impact of food safety scares, the sound and fury signified...nothing.



Illustration: Poulette Bogon

P

PRODUCE

■ "Pesticides, the Chilean grape scare and Alar hysteria destroyed supermarket produce sales in 1989." If that's what you expected this story to say, guess again.

The produce industry had an excellent 1989 in supermarkets, according to SUPERMARKET BUSINESS's 1990 Consumer Expenditures Study. Supermarket sales posted a 8.4 percent increase in dollar volume, as compared with a gain of just 3.3 percent in 1988. This, in spite of the attacks and disasters that colored any discussion of fruits and vegetables for almost the entire year.

In 1990, the climate has cooled considerably; but even during last year, the cooler heads among consumers prevailed. According to observers, the big health benefits conveyed by consumption of fruits and vegetables—admitted by even the most rabid antipesticide

activists—were deemed more important by Americans than the marginal—and frequently theoretical—health risks posed by agricultural chemicals or tampering.

According to Bryan Silbermann, retail staff vice president of the Produce Marketing Association, the primary reason for the category growth can be summed up easily.

"Nutrition. Nutrition and health concerns," he says, though he adds that supermarkets have contributed to the strength of sales. "The retail industry as a whole has been positioning the department to meet consumer health concerns. And those concerns will become bigger in the future. PMA has marketing initiatives that will come into play in the future, such as when nutritional labeling comes in."

John McClung, senior director of public affairs, said the message of doom, and the messengers, failed to hurt sales largely because the safety

issues they raise don't have nearly the weight of arguments for boosting produce consumption.

"There's no question that fruits and vegetables are viewed by the public, the medical community and the media as positive," he says. "So the pesticide/food safety issue didn't have a deleterious effect on sales, in part because the criticisms were so broadly based that consumers couldn't react to them. The Alar in apples warnings took hold because a particular product was identified. But consumers are more skeptical of extreme claims about peril in the food supply than they were a year or two ago."

Silbermann contends that the nutritional value of fruits and vegetables may not even be as responsible for the continued health of the produce business as has been the continuing strong industry response on issues such as pesticides.

Continued

PRODUCE

"The nutritional aspect helped. But the way the industry reacted addressed consumer concerns. For example, pesticide testing. Testing initiated at retail has shifted back along the distribution chain and boosted confidence at all levels."

But Silbermann adds that to ignore the institutional changes that have taken place throughout the produce industry would be to ignore an important underlying cause of the business's success.

"We've seen an increase in retailers' ability to handle a wider variety of product," he says. "Distribution is better. New computer codes are coming out that ease handling. And an awareness of profitability has resulted in more space devoted to produce departments in new and remodeled stores."

A blight of bad news

But even while supermarkets were pressing ahead with more sophisticated produce merchandising systems and operations in 1989, pesticide and related controversies seemed to threaten the future of the business. Yet now, as the threat blows over, different supermarkets have very different perspectives on what happened and how they and the food industry reacted.

Tom Cullen, vice president of government relations for King Kullen Grocery Co. Inc. (Westbury, N.Y.), says that there was an immediate impact. But industry reaction and government assurances eventually helped to bolster consumer confidence.

"I do think there was some impact," says Cullen. "Of course, the impact was more pronounced around the time the criticisms were announced. It weighed on people's minds then."

Consumer education is critical if produce sales are to continue to grow. Cullen says supermarkets have to communicate the facts accurately to consumers. But those facts have to come from the government.

"Pesticides are not going away, but people want to know

will happen with pesticides in the future. An educated customer wants to know what's going on. That's part of their becoming more health-conscious. And we're going to have to do more to inform customers. Especially with the labeling initiatives, the customers are going to be looking to us for even more information. But it's the federal government's role to test. We can't afford to test everything we sell, so we rely on the federal government to do it. The food industry has to rely on federal standards."

According to Cullen, officials who have the public trust, such as the United States surgeon general, helped abate the most acute concerns by pointing out that the benefits of fruit and vegetable consumption far outweigh any potential risks.

While it is generally recognized that ensuring the safety of the food supply is the government's business, some supermarkets decided, during 1989, that addressing the customer concerns about pesticides in their produce was their job. Raley's (Sacramento, Cal.) was one of the first companies to contract a testing firm to determine whether its produce supplies were treated with suspect chemicals. Raley's was also among the first firms to actively market their testing program.

According to Charles Collings, president, Raley's response, and the response of like-minded firms, went a long way toward reassuring consumers who were confused by the conflicting claims made by social activists, the government and the food industry.

"My gut feeling is that our emphasis on supplying pesticide-free produce and testing allayed consumer fears," says Collings.

Yet not all initiatives launched by supermarkets during last year's crisis climate have survived the more recent, more pacific atmosphere. For example, "Consumers have not opted to pay higher prices for organic produce," says Col-

but it slacked off rapidly afterward."

Organics were touted by antipesticide enthusiasts as the solution to the problem of agricultural chemicals. Several supermarket chains added or expanded selection of organic produce to offer an option to their most concerned customers. But supermarkets found that the less-than-perfect appearance, the high price and spotty supply of organic produce turned off many originally enthusiastic consumers.

Louis Denrich, president of Valu Food (Baltimore), says the problem with organic produce is that, once you get a look at it, it doesn't appear to live up to its billing.

'Following the grape scare, organic produce was up, but it slacked off rapidly afterward.'

"I think credibility may have something to do with it," he says. "You can't touch and feel the difference between regular and organic produce. If something is salt-free, you can taste it. What does organic look like? An

organic head of lettuce looks just like a regular head of lettuce, or perhaps a little worse. If something looks like a Chevy and is priced 50 percent higher than a Cadillac, there's no proof it is what it says it is."

Organic produce may have a future in supermarkets, says Denrich, if it is branded or certified or in some other way visibly distinguished, as a reminder of what potential benefits it offers and why it commands a higher price.

Denrich says that people are resigned to whatever risk pesticides pose because the benefits of produce are greater. Nutrition ensures consumer acceptance.

Hanging tough

"In some markets, third-party testing and organic produce had a big effect, but overall they didn't have much impact," says Gene Battaglia, vice president of produce for Scrivner, Inc. (Oklahoma City) and a member of UFFVA's retail merchandising board. "Produce survived without such things as organics be-

Battaglia says industry reaction reassures some skittish shoppers that the produce aisle's glow of good health wasn't tainted by toxins.

"Apples made an excellent comeback," he says. "The Apple Commission did a good job. Produce made a good comeback, too. But we've got to stay on top of it and educate consumers."

Although acknowledging that consumers were concerned about reports of chemical hazards, at least one produce specialist believes the industry overreacted.

"The pesticide problems had a temporary impact, but it disappeared after a short time," says Michael Cholbi, produce merchandiser at United Grocers, Inc. (Portland, Ore.). "I think we were more concerned than the customers. We started jumping up and down, getting panicky. We were putting signs up to give consumers information, but I think it just continued the scare. After we were talking to the customers, we found the reaction was out of proportion to the concern."

He said even apples made a quick comeback, even if such an possibility seemed like pie in the sky during the Alar scare. He said that scares happen from time to time, but the impact is always temporary.

"Consumers are reasonable enough to think it out. They know that reporters need a story, that problems are going to get media attention. We've got to provide more education. But I think that they see both sides of the issue now."

At a time when people seemed resigned that anything offering high hopes has a down side somewhere, produce sales shouldn't be shaken by a little bad news. Besides, critics offer no alternative that offers the same benefits.

People may have begun consuming more produce for their health, he says. But now, people are treating their greens as an element of diet that can also be fun.

"People are starting to get the idea that grapes are better for you than Twinkies," Rubel says. "We've seen more people using grapes as a snack food. And our broccoflower—a cross between broccoli and cauli-

Aim-and-shoot cameras continue to drive film sales. But to maximize potential profits from photo needs, supermarkets may need to broaden their approach to the category.



Illustration: Poulette Bogan

P

HOTO SUPPLIES

■ As has happened time and again, new, better, simpler cameras today are helping Americans rediscover their love of picture taking.

Not photography, but picture taking. The distinction is important, especially to supermarkets. The average shutterbug isn't looking to create art, but to take snapshots of family and personal events such as graduations, vacations and weddings.

In the past, the enthusiasm of the weekend photographer was dampened by the poor quality of simple cameras. Enthusiasm for easy-to-use cameras, from the Kodak Brownie to the 126, 135 and disk formats, faded among the more fastidious as it became clear that those devices couldn't match the picture quality of 35mm single-lens reflex cameras. As advanced amateurs graduated to the

camera shop to learn the intricacies of SLR photography, they frequently took their film business with them and out of mass market retailers, including supermarkets.

But the past may not be so quick to repeat itself this time. Advances in aim-and-shoot 35mm cameras have resulted in picture quality that rivals what most amateurs accomplish using SLRs. While SLRs are introducing more automatic features themselves, they remain more complicated, costly and cumbersome than their aim-and-shoot cousins.

Supermarket strategy debated

All this translates into a bright future for supermarket photo operations, according to store operators and film manufacturers alike. But the two major 35mm film manufacturers disagree about how to best build upon those opportunities.

Eastman Kodak Co. (Rochester, N.Y.) encourages super-

markets to build their full-service shops or sections as the anchor of all photo operations. To get the maximum return from photo operations, Kodak insists, supermarkets have to do their own film processing.

"Our initiative this year is not much different from last year," says Terrence Reilly, Manager of Trade Sales for Kodak's U.S. sales division. "It's trying to get everyone to do complete photo finishing as well as to sell film, because they go hand in hand."

A complete photo program not only takes into account consumer needs for convenience, but also the need to remind consumers that the convenience they crave is available in the supermarket.

"One of the primary ways to do that is to have multiple locations of the product," Reilly says. "An aisle where there are picnic supplies is an absolutely natural location for film. If a food store has cards and gifts, it too is a perfect

PHOTO SUPPLIES

place for film.

"Also, a lot of advertising is required. Supermarkets need to make photo part of their circulars. In-store signage is crucial, especially if photo finishing is involved."

Reilly says that, in a well-run photo operation, film and processing are two sides of the sales dollar. "You can't separate photo finishing from film, and you can't separate film from photo finishing. One feeds off the other."

"If you want to run a super photo finishing department—which is very profitable, with virtually no inventory—you can't maximize its potential without photo finishing. You have to sell a lot of film. But, while film's profitable and it turns nicely, photo finishing is extremely profitable and there's no inventory—so the turns are terrific."

Imaging needs

While Kodak promotes the creation of a photo store within the supermarket, Fuji Photo Film U.S.A. (Elmsford, N.Y.) has developed a promotion it hopes will show food retailers a new future for photo products as the core of an imaging products business.

With a product line that includes, in addition to film, floppy disks, blank videotapes and audio cassettes, Fuji is offering cross-merchandising programs designed to make supermarkets the center of what, increasingly, are everyday imaging needs.

The promotion, using the Fuji blimp as centerpiece and the theme "Quality Above the Rest," includes a sweepstakes, a merchandise offer, and a coupon book including savings of one kind of merchandise when consumers buy another. Also included are three sets of free-standing inserts, the first placed in newspapers nationwide in August.

"The biggest umbrella to the promotion is certainly the two sets of FSIs of each of the assorted products, tape, floppy disks and film," says Paul Smith, director of sales and assistant general manager of the photographic products division. "There are a lot of chains, large and small alike, that have started with electron-

ic tape over the last couple of years. More recently, they've also added floppy disk sections, especially on the West Coast."

"The synergy between products under a corporate umbrella always will give you more clout, in terms of customer appeal and merchandising opportunities," says Smith. "Imaging is so popular right now, and it's going to be the watchword of the '90s. We're saying to Mr. Retailer that you can run several products in a Fuji promotion, which will increase your total velocity and your volume draw, and we'll also bring in customers with FSIs."

Smith says the imaging umbrella will continue to build Fuji's film franchise. Supermarket operators are split on their reviews of Fuji film. Even among operators who aggressively promote general merchandise, some question the need of a second film brand.

But others believe that, for a major photo program to be competitive, it has to offer variety. "We're expanding our Fuji film line," says Rob Boley of Fred Meyer (Portland, Ore.). "They're real good products and they've done a good job of taking care of us. We think of each section as a specialty business and run it as one. Fuji is a preferred brand of a large number of people here. We have to be able to compete with photo stores, so we carry Fuji as well as Kodak and our own film brand."

Fred Meyer also approves of Fuji's marketing direction. "We do believe in a lot of cross-merchandising," says Boley.

Fuji isn't alone, however, in offering a cross-merchandised imaging package to retailers. Polaroid Corp. (Cambridge, Mass.) is using cross-promotions that include its 600 series instant photo film and its T120 videotapes to increase business in those products and to boost sales and supermarket acceptance of its OneFilm 35mm product, which was introduced last year.

The promotions include a variety of coupons, including,

for example, 50-cents-off coupons included with T120 videotapes.

According to Don Patrick, director of marketing for U.S. consumer products, the OneFilm rollout is continuing and has been satisfactory. But he added that the cross-promotions that are being offered will strengthen acceptance among supermarket operators who sell instant film and videotapes but who have yet to add OneFilm.

"Supermarket acceptance has been good, considering the strength of the competition," he says. "We've found we have good appeal to female shoppers. They are confident in the brand name."

Polaroid has launched a

national ad campaign, including network television advertising, to heighten the company's profile among customers. Featuring an amateur shutter-bug on a semi-safari—although he appears to be in the bush, he's

actually in a safari park—the campaign will include in-store tie-ins that, throughout the second half of 1990, will put particular emphasis on OneFilm.

Disposable cameras a hit

While the proliferation of aim-and-shoot cameras is responsible for most of the growth in photo category, a second, significant innovation has both Fuji and Kodak smiling for the camera—the disposable camera, that is.

"Food stores are doing terrifically in single-use cameras," says Reilly. "We've sold in dollars 10 times to June this year what we did to June last year. It's a good item for food stores. It's single-use. It's good for last-minute shoppers who are going on vacation. Our distribution in food stores has quadrupled this year."

Smith says Fuji is looking for single-use cameras to gain the kind of market share in America they enjoy in Japan.

"In Japan, the business is approaching 10 percent of all camera sales," he explains. "And those sales don't eat into significantly into the film business because, in many

cases, people take a single-use camera when they wouldn't take a normal camera."

Reilly contends that the success of single-use cameras may foreshadow better performance in other camera sales, in particular, sales of aim-and-shoot units.

"Food stores in general don't sell many of those," he says. "I think they can do a better job. And as the price points come down, I think you'll see them do a better job. We're going to have cameras that retail for \$29.95 this Christmas. I think we're getting into the price points where food stores can do well."

While single-use cameras address the issue of convenience, other film programs are meeting the heightened expectations of the more sophisticated camera user. Some supermarket operators have noted demand for a broader range of film products. Fuji especially has been aggressive promoting 35mm film beyond 100 and 200 I.S.O. (a.k.a. A.S.A.). But Kodak is responding, too, with its Ektar film line.

Multipack film sales also will become increasingly important in food stores, manufacturers say. "Multipacks are especially important if you're into photo finishing. You want customers to have more film—because if they have more film, they shoot more pictures. Now, food stores don't sell as much as drug or discount stores, but that in itself should tell you something. They probably should."

Of course, supermarkets also have to develop their own multipack strategies if the products are to gain acceptance among food store customers. For supermarkets to build multipack sales, says Reilly, "Number one, they have to advertise it, which they don't. Number two, they have to get it on their planograms, which they generally don't. Three, they just have to promote them. And, it's a little hard to get them to promote multipacks because they're a little scared of their retail price point—a valid concern."

Thus, manufacturers say that, given a little work and a recognition that competing in the film category requires building a comprehensive approach to business, the picture for photo sales in supermarkets remains rosy.

—MIKE DUFF

More new fruit juice flavors and other refrigerated products are being introduced than stores can accommodate. But some of the category's predicted growth was slowed last year by sharply higher orange juice prices resulting from cold Florida weather.



Illustration: Pauline Bogan

R FRIGERATED FOODS

■ "Potential" and "maturation" are the key words in the chilled-foods market.

The former refers to industrywide forecasts for continued growth in refrigerated foods and juices, which have spurred an extensive slate of product introductions and line extensions.

The latter refers to the category's performance over the past year, which was affected by everything from cold weather to retailer reluctance to expand refrigerated sections as quickly as new offerings, which now range from blended juices to pudding, are put on the market.

Refrigerated juice and food suppliers are creating, marketing and expanding the focus of a widening variety of products, as they strive to live up to growing consumer demand for fresh, high-quality items shoppers consider healthier

and better-tasting. Buoyed by the category's strong

performance over the past two years, the makers are geared to exploit a market most indicators say is destined for continued growth through the 1990s.

But over the last few months of 1989 and the beginning of this year, outside forces slowed the sales growth of several of the refrigerated categories. Orange juice led the way, as tightened supply and resulting price increases stalled sales.

In other chilled foods and juices, retailers, working with finite refrigerated sections, seemed unable to keep up with the pace of new product introductions and line extensions, and thus were forced to pick and choose among a growing group of offerings.

Over the past two years, retailers across the country expanded the square footage they devoted to refrigerated products to accommodate a

series of popular new offerings. The new products are still coming, but similar expansions are not expected to take place in the immediate future, and dealers will increasingly be forced to make tough choices as to what products they'll carry.

"We had a big expansion a year or so ago in that category; we would have to see more growth to (expand) again," said Terry Ritchey, merchandiser for dairy and refrigerated products at Dierbergs Supermarkets (Chesterfield, Mo.).

According to Ritchey, orange juice prices experienced "quite an increase" this year, triggering a slowdown in sales. Suppliers attribute the higher prices to a fierce winter freeze that cut into the supply of orange juice out of Florida. "That's the word we heard down the line," said Ritchey.

On other fronts, "Blended juices had a little more growth (in sales as compared to last year)." A wider selection of

REFRIGERATED FOODS

flavors was introduced by existing players in the category, and choices in refrigerated foods, including pastas and snacks, are increasing as well, he added. "Basically we're in the same (growth) mode as last year."

Although the winter freeze hurt orange juice leader Tropicana (as it did all of the major orange juice producers), the Bradenton, Fla. supplier continued efforts to introduce packaging options in its Pure Premium not-from-concentrate orange juice line.

Among the new products are Pure Premium Triplets—portable snack packs, each containing three eight-ounce, single-serving cartons of the maker's not-from-concentrate orange juice.

According to the company, the new line extension will not compete with other Pure Premium sizes "because the product provides for new occasions usage."

This year, Tropicana also introduced Tropicana Juice Sparkler. Tested over a four-year period, the juices are predominantly Tropicana juices with "a touch of carbonation."

"Consumers want quality juices but are also looking for lighter, refreshing alternatives," said Robert Urbain, senior vice president of marketing. "The sparkling beverage category was almost \$600 million in sales last year. In that category, the sparkling juice segment is clearly providing the growth with almost a 25 percent gallon increase in 1989 compared with the previous year."

The company's Tropicana Twister blended juices have continued to grow, and the maker expanded the line with a group of frozen Twister products.

"Frozen blended juices and juice beverages are one of the fastest growing segments in the freezer case," said Robert Soran, Tropicana president. "The frozen Tropicana Twisters will build on the tremendous success we have seen from Tropicana Twister in 46-ounce glass."

Although they began as dry-shelf items, the Twister juices are now being merchandised

in refrigerated cases as well. According to the company, the product has been responsible for over \$100 million in sales since its introduction. Two new flavors, orange/peach and orange/raspberry, were introduced in 10-ounce sizes this year, and a 64-ounce glass container is now available in selected Northwest markets.

"Things are going well for us in the (orange juice) category, but last winter's Florida freeze hurt everybody," said Dan Schafer, director of public affairs for Tropicana's Houston-based arch rival, Minute Maid. The firm has completed the roll-out of Premium Choice, its not-from-concentrate orange juice drink first introduced in 1988. "Right now we're pretty much up and down the East Coast and Florida. That's where the majority of the consumption—about 70 percent—of orange juice occurs," said Schafer.

Last year, Schafer said the growth of the ready-to-serve market prompted his company's entry into the chilled not-from-concentrate category. "We're looking at double-digit growth in the chilled orange juice segment. Consumers like the product, and as we come out with more products and better packaging, the category will grow," he said.

Schafer said although both Minute Maid's Premium Choice not-from-concentrate and its frozen concentrate orange juices are maintaining market share (at 17 percent and 5.2 percent, respectively). "You'll find that chilled juice sales are reflective of what's going on in the entire orange juice industry. Chilled orange juice sales are basically flat. You're not seeing the growth that we had before."

Schafer cited Minute Maid's own figures, which showed sales had risen only 2 percent over the course of the year. But he added that the slowdown was only temporary and due almost exclusively to the freeze. "The category is going to grow again. That decline has flattened out."

This year, consumers turned to blended juices in response

to the price jumps in orange juice, said Schafer. "People tend to want those products when orange juice prices get high. The volume in chilled orange juice was down 9 percent in the second quarter of the year while all chilled juice drinks were down only 3 percent."

Limited cooler space

Schafer also said that retailers have been slow to add cooler space as the number of offerings in the category expands. "The retailer has to know that he's getting a return on the space in his cooler. Obviously, the refrigerator is a major investment."

Meanwhile, other products in the refrigerated category are growing as makers are expanding their distribution to more parts of the country.

Ocean Spray Cranberries (Lakeville, Mass.) has completed the rollout of a line chilled diet juice drinks with only two-thirds the calorie

content of other juices, according to John Kirtland, divisional manager for chilled products.

The drinks, which feature NutraSweet, are available in cranberry juice cocktail, cranberry/raspberry and cranberry/apple flavors. They are available in about 20 percent of the country, including such major markets as New York, Philadelphia, central Pennsylvania, Chicago, Washington, D.C. and Baltimore.

"The trend toward light and diet foods in the U.S. seems to be around to stay," said Kirtland. "These juices are not so much for (strict) dieters as for calorie-conscious consumers." He added the diet juices average 15 to 30 calories per glass, while nondiet juices average 90 to 110.

"There is a subsection of the population that wants to avoid sugar in its diet," he said.

"Some of our criteria for entering these areas were whether they were good refrigerated markets as well as good Ocean Spray markets. Consumer acceptance among those who've tried the product is good."

"The [chilled diet juice] category is wide open, but it's

one of the most difficult to market. Our idea is to communicate the benefits of the product to the people." In keeping with this goal, Ocean Spray is running a consumer advertising campaign to help launch the product.

Blended juices continue to be the fastest-growing offering in the refrigerated case. Consumers, say suppliers and dealers, consider the drinks healthier, fresher and better tasting. The high price of orange juice this year also contributed to the popularity of the blends.

Dole Packaged Foods Corp. (San Francisco, Cal.) introduced the Paradise Fruits blended line late last year with two offerings: a pineapple/passion fruit/banana juice mixture and a pineapple/orange/guava combination. Chiquita has also entered the blended category, with Caribbean Splash (a mixture of pineapple, guava, mango and banana juices) and Tropical Squeeze (pineapple, pear and passion fruit).

Fresh pastas make up another fast-growing category in the chilled case. According to *Business Trend* analysts, a New York research firm, sales of fresh pasta will grow an average of 17 percent per year over the next decade to \$720 million, 10 percent of the total pasta market.

The category's only nationally distributed brand, Contadina Fresh (a subsidiary of Carnation Co., of Los Angeles), is building on the success of its refrigerated pastas and pasta sauces with a new line of pasta salads and salad sauces.

"We're running our production facilities as fast as we can," said Dick Curd, a spokesman for Carnation. "Many consumers out there want their food prepared, but still want to have something to do with preparing it."

Made to be served over Contadina salad pasta, the sauces eliminate the need for consumers to wash, cut and prepare vegetables and herbs for a pasta salad.

In refrigerated desserts, General Foods (White Plains, N.Y.) offers Jell-O Pudding Snacks in eight flavors. The desserts are sold by the company's Oscar Mayer sales force. With its expansion into the southeast this year, the product is available throughout the country. —BRIAN EDWARDS

'In 1989, the sparkling juice segment had a gallon increase of almost 25 percent compared with the year before.'

New snack product introductions are making the competition for shelf space stiffer than ever. Snacks made with less salt and fat are doing well, while sales of microwavable products—though still growing—are not rising nearly as fast as a year ago.

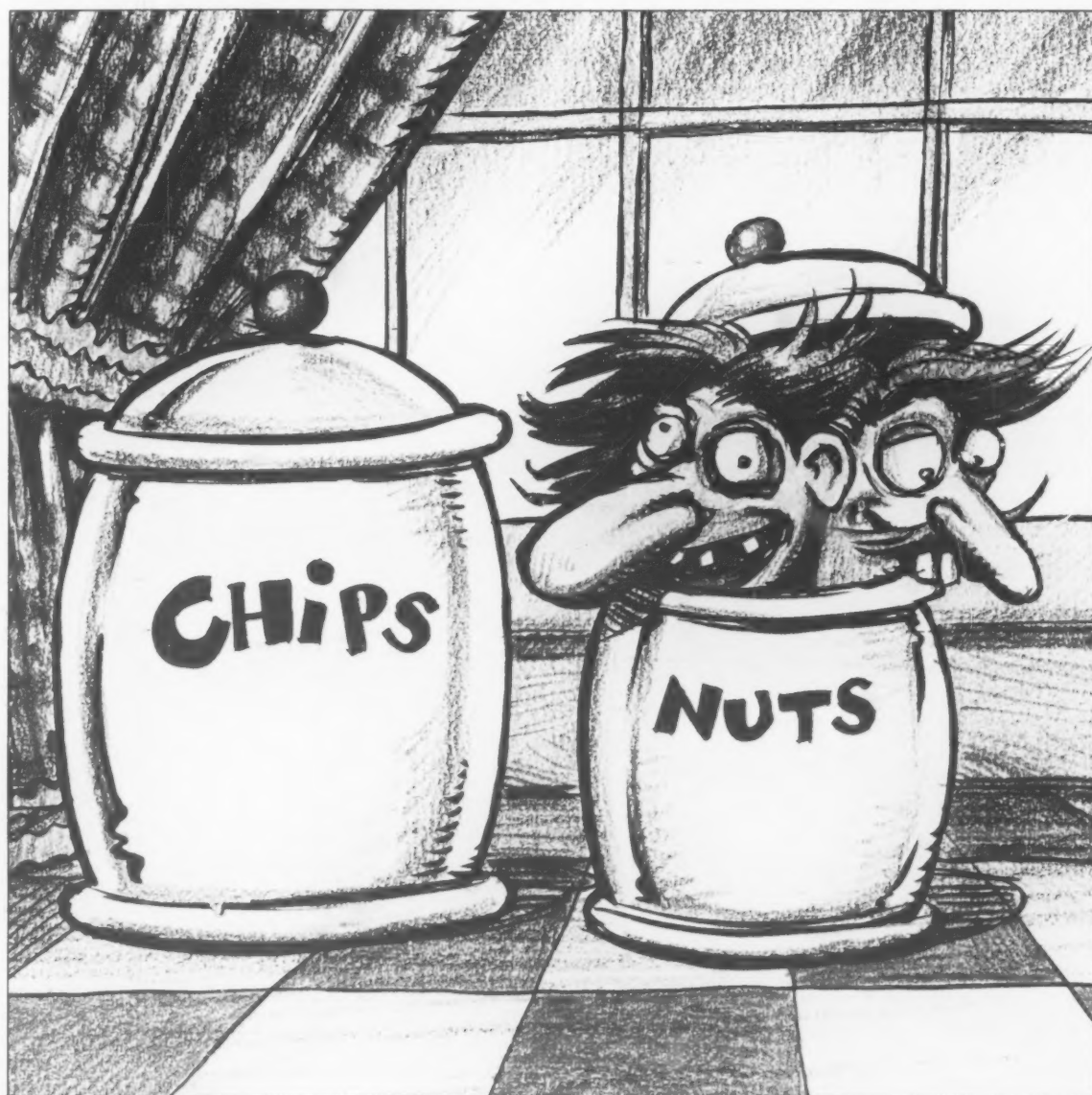


Illustration: Steve Sweney

S NACK FOODS

■ Snacks crackled and popped in 1989, reaching all-time sales figures just one year after the drought that forced supplies of America's favorite snack, potato chips, down, and prices up.

With potato chip sales dragging during 1989's first quarter, other snack categories picked up the slack. By year's end, total snack sales had increased 9.4 percent over 1988, topping out at \$11.93 billion, according to the Alexandria, Va.-based Snack Food Association (SFA). Pound volume rose 3.8 percent, to 4.56 billion pounds. According to the Food Institute (Fair Lawn, N.J.), snacks outperformed the average volume growth for all grocery products.

Every major snack category, with the sole exception of nuts, showed increases in sales, pound volume, or both.

For example:

- Potato chips still led the snack segment with \$3.0 billion in sales, up 8.9 percent over 1988. Per capita consumption of the crunchy snack was 5.96 pounds. Favorite varieties included jalapeño, sales of which jumped 27.3 percent over 1988, and barbecue, up 15 percent. Sales of kettle-cooked chips rose 9.1 percent year to year, the highest gain of any variety. Due to supply shortages, some rationing was reported at the shelf level, and several companies stopped promoting potato chips. Questions also arose about the remaining crop's quality.

- Tortilla chips finished in second place, with sales of \$2.1 billion, an increase of 14.1 percent. Per capita consumption was 3.7 pounds. Spicy/hot tortilla chip sales leaped 55.6 percent year to year.

- While snack nut sales dropped 0.2 percent in 1989, sales still finished third among

all categories, at \$1.6 percent billion. Per capita consumption reached 1.96 percent pounds. Cashews measured a slight, 5.5 percent year-to-year sales rise, while Brazil nut sales plummeted by 48 percent.

- Other snack sales leaders included microwavable popcorn, with \$821.8 million in sales (up 4.9 percent over 1988); extruded snacks (primarily cheese-based products), at \$658.1 million (up 1.4 percent); corn chips, \$635.7 million (up 22.0 percent); pretzels, \$557.7 million (up 18.6 percent); meat snacks, \$483.6 million (up 2.6 percent); ready-to-eat popcorn, \$368.3 million (up 22.0 percent); variety packs, \$212.9 million (up 16.9 percent); pork rinds, \$195.0 million (up 14.2 percent); unpopped popcorn, \$185.2 million (up 1.1 percent); and party mix, \$157.3 million (up 27.8 percent).

Potato sticks, with sales of \$71.7 million, showed the

SNACK FOODS

greatest year-to-year growth, at 44.3 percent. If nuts and unpopped popcorn were removed from the survey, the remaining snack categories would show an 11.1 percent growth in dollar sales and a 5.1 percent growth in pound volume.

In the potato chip segment, sales of kettle-cooked chips continued to grow, as more companies added them to their product mixes. At the same time, a burst of flavor varieties in ready-to-eat popcorn has the category past microwavable popcorn. While ready-to-eat has notched sales gains of 20 percent or more for two consecutive years, microwavable sales rose just 5 percent last year, after a 28 percent rise in 1988.

Pork rinds continued to bask in the presidential glow of George Bush's endorsement, and pretzels benefited from their image as a healthful, low-calorie snack.

"The effects of the drought in 1988 were still being felt pretty heavily through the first three months of 1989," notes Al Rickard, director of communication for SFA. "Potato chips suffered as a result. Manufacturers cut down on their promotions, and sales dropped. But when the shortage eased, around April, potato chips rebounded strongly."

"Shelf-buying" fees up sharply

The war between the snack segment's "Top Five"—Frito-Lay, Borden, Eagle Snacks, Keebler, and Procter & Gamble—also reached a fever pitch over "shelf-buying," according to industry sources. Several executives reported that the price for supermarket shelf space in certain stores had jumped to as much as \$1,000 per section-foot for a year-long contract, according to SFA.

"The message is clear," Joe Welch, chairman of Bachman Co. (Reading, Pa.), said in the association's state-of-the-industry report. "Don't ante up, and you lose space." Frank Donovan, president of State Line Snacks Corp. (Wilbraham, Ma.), added, "We've got to put some sanity back into this business."

"Shelf space is always going to be a problem," says Rickard.

"It's becoming more of an issue now because more major companies are getting into the game. Keebler has gotten in there in the last three years, and Eagle continues to expand. And Procter & Gamble has a lot of new products out there."

"The number of new items introduced recently has just about doubled the total number of snack food products on our shelves," according to Lou Zaret, executive vice president and director of merchandising for 13-unit Grand Central Markets (Stamford, Conn.). "Whether it's snacks in bags, or different kinds of chips, new flavors, textures, or 'light' varieties—the number of variations is booming."

While Zaret concedes that "new items always take off early and then level down," he nonetheless feels that product diversification can only help sales in the long run.

Despite the great number of new product introductions, some retailers think something may still be lacking. Ken Malecki, merchandiser/buyer for the 148-store Top's Markets Inc. (Buffalo, N.Y.), says that snack makers have "got to come up with something new and innovative as far as flavors. Cajun and some of the cheese flavors have already peaked." One new flavor, suggests Malecki, could be ketchup-flavored potato chips, "which are already available in Canada."

Malecki also sees consumers leaning toward the recently introduced processed chip and popcorn products. "Those are two new areas that are starting to take off. In my opinion, manufacturers are finding out that those products are easier for them to make."

Another 1989 trend was snack companies' rush to place many new "light" and "lightly salted" products onto supermarket shelves, responding to Americans' continued demand for food products that are low in fat, cholesterol, tropical oils, and sodium.

While some producers saw the trend toward healthier snacks as perhaps their industry's most important, others suggested that consumers'

dedication to healthier munching is regularly suspended while snacking.

Snack segment leader Frito-Lay Inc. (Dallas, Tex.)—which holds a four-to-one advantage in domestic sales over its nearest competitor, Borden (New York, N.Y.)—topped \$4.2 billion in worldwide sales and showed a profit of \$821 million. The company jumped into the healthful snack market last year by testing several light snacks, which were rolled out in February. Among them: Ruffles Light, Doritos Light, and Chee-tos Light. Each of the products contains one-third less oil than the regular brands.

"And there will be more to come," says Frito-Lay spokesman Terry Fassburg.

"The trend toward healthier foods is the most important trend in the industry."

In addition to its new light line, Frito-Lay—a division of PepsiCo Inc.—also rolled out cheddar cheese-flavored Smart

Food brand popcorn; Jumpin' Jack Doritos, a cheese-flavored chip; Chee-tos Paws, a paw-shaped cheese snack; and Sun Chips, a cholesterol-free, multi-grain snack made from whole wheat, corn, and other natural ingredients.

"The strong growth in both popcorn and pretzels is a result of their being perceived as healthier options," says Greg Metzger, vice president of marketing for Borden's Snacks and International Consumer Products division.

The Columbus, Ohio-based snack group, with 1989 worldwide sales of \$1.2 billion and domestic sales of \$762 million, has yet to forcefully enter the light-snack fray, although it has recently introduced Wise Choice, a no-salt premium popcorn.

Borden's major new product introductions came as the result of acquisitions. The company, largely an amalgam of regional snack makers, bought Quinlan Pretzel Co. in June. Borden also purchased Moore's Quality Snack Foods of Bristol, Va.

Borden also continued its 1988 rollout of Krunchers! potato chips into more than 25

states. In all, 1989 sales of the product increased 50 percent, to \$60 million.

Eagle Snacks, a wholly owned subsidiary of Anheuser-Busch Cos. Inc. (St. Louis, Mo.), recently introduced three new tortilla chip products in selected markets: Eagle Nacho Cheese, Ranch, and Restaurant Style tortilla chips.

"Movement into the tortilla chip market," notes Eagle president Kevin Bowler, "was a natural progression for us as a snack food manufacturer. We have now become a player in every salted snack category." Eagle captured an estimated \$300 million in sales last year.

Accompanying the introduction of the three lightly salted chip varieties is the debut of cholesterol-free Eagle Salsa and Bean dips.

The company is also testing Cape Cod light popcorn. Bill Updyke, executive vice president of field sales, says he's seen "mixed reviews" on the "light" snack trend. "Putting 'healthy' and 'snack' together is almost oxymoronic. It's really too early to tell if it's been a success or not."

Keebler Co. (St. Louis, Mo.), a division of United Biscuits, notched estimated total 1989 sales of \$240 million. The company rolled out its first rippled potato chip, Ripplin's, in May. The product, available in original and barbecue flavors, offers an extra-crispy texture.

The rollout follows on the heels of 1988's introduction of O'Bois's potato chip—Keebler's most successful product introduction to date—and SunCheros, a tortilla chip.

Keebler spokesman Stu Greenblatt says that other trends worth noting include the increasing popularity of smaller, bite-sized snacks, and that of "hard-bite," or extra crunchy, potato chips.

Procter & Gamble's major introduction in 1989 was Corn Crisps. Available in original and tangy cheese flavors, the product added pizzazz to the soporific corn chip category. P&G also bought the Fisher Nut Co. from Beatrice/Hunt-Wesson Inc., thus becoming a major player in that category.

The mainstay of P&G's product line remains the 20-year-old, canister-packed Pringle's ridged potato chips. The company did not release sales figures.

—HOWARD RIELL

'The message is clear: Don't ante up, and you lose space. We've got to put some sanity back into this business.'

As natural and man-made hazards plagued the soft drinks category this year, water (water?) continued to set new records in the thirst-quenching department.



Illustration: Steve Sweney

SOFT DRINKS

■ It has been an entertaining year in the soft drink business.

The industry had its own soap opera in the withdrawal and reintroduction of Perrier. The ongoing story had the two elements most identified with the soaps: melodrama—in the decision to pull all U.S. products after traces of benzene were discovered in some samples of the sparkling water—and high comedy—as Perrier's planned triumphant reintroduction was marred by resupply problems, rumors that the Perrier spring was contaminated, revocation of the right to call the water "naturally sparkling" and the near loss of the right to call the product sodium-free in the company's key New York market.

There was comedy, of course, provided once again by Coca-Cola, whose Magic Can promotion turned out to be

less than miraculous. And there were quite a few new acts trying to win big audiences, in spite of long odds of success.

The Perrier predicament dominated press notices of the soft drink business from its discovery in February of last year and into 1990. The ironic circumstances surrounding the discovery of the Perrier problem might have warned the company that they had a big problem. A Mecklenburg County, N.C. Environmental Protection Department, using Perrier as a cheap source of purified water in tests it was conducting, discovered and announced to the world that benzene was present in some samples of the world's first soft drink—although those levels were well below dangerous levels.

Benzene has been identified as potentially carcinogenic. But any public relations benefits Source Perrier S.A. may have enjoyed from its

decisive recall action quickly dried up as a series of mishaps befell the reintroduction.

- Ominous rumors began to surface that the Perrier spring might be poisoned. Before the rumor, Perrier seemed confident that their explanation that the contamination was simply a maintenance mishap would be taken on face value. Unfortunately, today's public is not quite that trusting. So within hours of its calm recall announcement, Perrier scrambled to launch a full-scale public relations and advertising campaign to quell the rumors.

- Unfortunately, at the same time Perrier was telling consumers everything was all right, they had to admit that resupplying the U.S. was going to take awhile. In fact, Perrier's flavored waters were only reintroduced this month.

- Then, disclosures made in the course of what had become a media circus drew the U.S. Food and Drug Administration

Continued on page 192

Supermarkets continue to be the number one choice of consumers shopping for their brands of cigarettes. The number of brands increased again last year, as consumers showed signs of becoming more price-sensitive.



Illustration: Paulette Bogan

T O B A C C O

■ Prices. Price-value. More single unit sales.

These are the predominant forces driving the cigarette business and supermarket cigarette sales.

Overall, supermarkets are the number one choice of consumers shopping for their brands. According to American Tobacco, approximately 40 percent of the total volume of all cigarettes sold in 1989 went through supermarkets and other grocery outlets. They rank sixth in store sales, representing 3.3 percent of total store volume.

"Relative to the small amount of space that cigarettes occupy in the store, these are truly significant figures," offered Clark Sturdivant, American's trade relations manager.

Indeed, the supermarket industry rang up \$7.8 billion in retail cigarette sales last year, according to research by

Brown & Williamson.

As the domestic cigarette industry continues to experience unit declines averaging 2.5 percent a year, semiannual price increases have significantly increased its dollar volume.

More price-sensitivity

Those price increases have, in some instances, been combined with dramatic increases in state taxes and the threat of still higher federal taxes. What it amounts to is more growth in the so-called price-value segment and a still-greater emphasis on the per-pack sales role of sharply priced supermarkets as a prime retail outlet.

Social pressures and legislative actions notwithstanding, there are still about 60 million smokers in the United States. Increasingly, they are becoming more price sensitive.

In New Jersey, for example, the industry price increase

recently combined with an increase in state cigarette taxes and the imposition of a 7 percent sales tax. Prices went up overnight—rising, in at least one instance, from \$1.80 per pack to \$2.15, nearly a 20 percent increase. For their part, most supermarkets took only a small portion of the increase.

California also took a substantial tax increase on cigarettes, causing many consumers to "load in" prior to the price increase, according to analyst John Maxwell, of Wheat First Securities, Richmond, Virginia.

Smokers' increasing price sensitivity is being borne out by the numbers. Maxwell reports that the price-value segment, overall, has increased to 16.2 percent of the market, up from 12.9, for the 12 months ending in June 1990. That's a 6.7 percent increase in share over the last four years.

Every major manufacturer

T OBACCO

has increased its representation in the category, according to Maxwell. For the quarter, R.J. Reynolds Tobacco's Doral increased 14.6 percent and Philip Morris' combined entries increased 28 percent.

But the current star of the segment comes from The Liggett Group, which in recent years has been seeking to recapture its generic sales lost to other price-value competitors. Pyramid is quickly assuming the leadership position to accomplish that task.

"Pyramid is the most successfully introduced new brand in recent years," Maxwell said. He measured it at a 1.6 percent overall share of the market, up from 0.6 percent just last year. A single market share point is worth more than \$250 million, at wholesale.

More brands and styles

Wrestling for market share has been the major preoccupation in the industry for years, increasingly so as further unit declines have stalled growth. That's led to a continuing proliferation of brands and styles—about 420 now, according to Brown & Williamson.

The company reported an industrywide brand expansion of 250 percent since 1980, when there were only 162 brands and styles on the market. In the past five years alone, more than 120 styles have entered the marketplace.

Increasing pack sales in supermarkets is now also being seen as a viable tack to win higher unit sales. At the same time, the companies have been pushing stronger inventory levels in both cartons and packs, citing statistics that seem staggering.

Pack sales crucial

According to research conducted by Philip Morris USA, the typical supermarket selling 500 cartons per week has approximately four times as many pack sales transactions at the register than carton sales. Among mass retailers of all types, cigarette pack sales account for an average of 28 percent of all front-end sales and 24 percent of the front-end profit.

Moreover, the company

found, increased pack sales—the customer who "just runs in for a pack of cigarettes"—lead to more impulse-driven ancillary sales.

But although packs account for 29 percent of cigarette sales, their available inventory in supermarkets is less than half, at 14 percent. Just as significant, Philip Morris learned that 45 percent of smokers will walk out of a store if it doesn't have his brand—or packing—in stock. Those, the firm concludes, represent lost sales of both cigarettes and other items.

Armed with similar information, many of the companies have been developing new front-end pack merchandisers and larger carton merchandisers designed to accommodate the increasing number of brands and packs.

In the overall market, Philip Morris has remained the dominant player increasing its share to nearly 43 percent, according to Maxwell. An important part of its gains have come on the strength of Marlboro, which now holds more than 26 percent share of the market. It contributes about six percent of the typical supermarket's front end profit, according to the company.

One out of every four packs of cigarettes sold in the United States is Marlboro. In still more basic terms, Marlboro is the largest selling packaged consumer product in the world, said Ehud Houminer, president and CEO of Philip Morris USA.

Philip Morris has identified supermarkets as prime outlets in its continuing sales growth, targeting them for placement of an increased number of pack and carton fixtures.

"In the mid 1980s, we realized we were lagging behind the competition when it came to carton shelf space in supermarkets and other high-volume outlets," said Vince Buccellato, vice president, sales. "As a result we had high out-of-stocks and inadequate visibility. To alleviate the problem we became a credible supplier of mainline carton fixtures."

'About 40 percent of all cigarettes sold in 1989 went through supermarkets.—ranking sixth in store sales, and representing 3.3 percent of total store volume.'

The company is also moving forward with a number of brand innovations. Marlboro Ultra Lights is currently being test marketed and its Benson & Hedges and Merit brands are also receiving increased advertising support. It's also seeking to enlarge its Virginia Slims franchise with the recent introduction of Superslims, an ultra-thin ultra low tar cigarette that emits 70 percent less smoke from the lit end than other 100mm cigarettes.

The firm currently ranks second in the price-value category but is increasing its promotional programs and couponing behind such brands as Alpine and Cambridge with the hope of fueling its growth rate still more.

At the extreme opposite end of the spectrum,

Philip Morris has introduced a premium-priced luxury brand with the Cartier trademark. Cartier Vendome was launched in the Los Angeles market and is currently rolling out to other markets around the country. It is clearly not intended as a supermarket offering.

The company is also currently testing a de-nicotined product, an all-tobacco cigarette intended to greatly reduce nicotine content, while preserving taste.

For its part, R.J. Reynolds believes it has the long-term hope of reversing its market share slide and has actually

targeted some Philip Morris brands, with several of its own, currently in test, according to Maura Payne, spokeswoman.

Maxwell reported that RJR had a 28.5 percent market share in the 12 months ending in June, down from 31.2 percent a year earlier. But he footnoted that finding, noting that the drop was due to Reynolds' efforts at balancing inventories—a one-time event.

Dakota, Maura said, is intended as a blatant competitor to Marlboro, with an updated western image. It's currently being tested in Nashville and Houston.

Chelsea is an effort to bring a cigarette to market with a better aroma and is directed at those concerned about non-smokers' objections. It's currently in test in Nevada, Eastern Pennsylvania and parts of Florida. Horizon essentially attempts the same thing and is in test in Atlanta.

RJR's successful Salem brand has undergone two line extensions in the past year. It's become regionally available in a boxed style in the northeast, and Salem Gold has a lighter menthol taste; it's available in the northern part of the country.

New campaigns

The company's lead brand, Winston, has recently undergone some packaging changes, featuring an eagle embossed in heavy metallic gold on the traditional red background. Salem has also enjoyed an updated and expanded ad campaign, Maura said. Camel has undergone almost a complete about-face, thanks mostly to the campaign of Old Joe as the "Smooth Character." It, too, represents a direct

**U.S. Market Share
12 Month Moving Averages**

	Jun90	Jun89	Jun88	Jun87	Change
Philip Morris	42.7%	40.1%	38.7%	37.4%	5.3%
RJ Reynolds	28.5*	31.2	31.8	32.7	-4.2
Brown & Wmsn	11.2	10.7	11.2	11.2	n/c
Lorillard	7.4*	8.2	8.1	8.0	-0.6
American	6.8	6.9	7.0	7.0	-0.2
Liggett	3.4	2.9	3.2	3.7	-0.3
Price Value Sgmt	16.2	12.9	10.6	9.5	6.7

Source: John Maxwell, Wheat First Securities, The Maxwell Report, 1988, 1989, 1990.

* Market share rankings for RJ Reynolds and Lorillard have been negatively impacted and, therefore, are not completely representative because of inventory balancing during the 12 mos ended, June, 90.

TOBACCO

competitor to Marlboro, according to Maura.

Like its chief competitor, Philip Morris, R.J. Reynolds is emphasizing pack sales in supermarkets, according to George Baroody, vice president of merchandising. This year, the company introduced a new express-lane display rack, featuring permanent pack promotional space, both for its own brands and for the retailers' promotional choices.

"It directly addresses the current trend in the business [for more pack sales]," Baroody said. "Secondly, it's consistent with the supermarkets' emphasis on express checkout lanes, gearing more toward convenience shopping in the supermarkets. It allows the retailer to participate and builds and proactive commitment" to the category. They also have a higher gross margin.

Over the last several years, American Tobacco has been finely honing its strategy geared both at expanding its current franchises, such as Carlton, Pall Mall, Lucky Strike and Tareyton, and new introductions. Now, the company has what it terms its "three winners in a row" in the price-value segment.

Malibu pioneered the \$3.00 off on-carton coupon concept, according to Sturdivant. American, its entry into the branded generic category, also features a factory-affixed \$2.00 instant coupon.

Montclair, its newest entry, is positioned as a sub-generic, combining a high-quality product, attractive packaging and a very low price. And,

Misty is currently being tested in the southeast and on the West Coast with encouraging results, he said.

More than one share point in total supermarket cigarette sales is represented by American's price-value entries, according to Sturdivant, a contribution expected to grow more with continued emphasis on the category. What's more, the new sub-generic category is expected to show continued impressive growth.

"American Tobacco will continue to focus on improved in-store merchandising and effective consumer promotional activity," Sturdivant said, later adding, "We expect the supermarket trade class to improve its [market] share in 1990 and beyond."

Brown & Williamson has also won back some of its market after a brief dip last year. Over the last four years, the company has fought off some competitors' gains, holding its share at 11.2 percent, except for last year's drop to 10.7 percent, Maxwell reported.

The company's strategy has centered on continued support of its full price brands, at the same time developing price-value derivatives of those franchises.

Kool, B&W's lead brand, continues as the fourth-largest-selling cigarette in the U.S. The company is currently testing Kool Deluxe in Hawaii and Houston, available in both lights and ultra lights in kings and 100s, according to spokeswoman Robbie Ashe. The brand is also sporting a new package design and availability of some styles in a boxed package.

Capri, the first super-slim cigarette B&W introduced in

1987, achieved a 0.6 percent share of market last year. Although initially positioned as a women's cigarette, the brand has enjoyed a higher than expected popularity among men. The company is currently testing a 120s version in southeast Florida and Louisiana.

"There's been a dramatic growth and demand for value-priced cigarettes," Ashe offered. "And, we've become a strong competitor in the value-priced arena with a portfolio of high quality, lower priced products."

Brown & Williamson claims a 22.6 percent share of the price-value segment and is seeking to further expand that, Ashe said.

Recently, Viceroy has been repositioned nationally as a value priced offering. Belair and Raleigh now have low-priced derivatives on the market, supplementing the full-priced brands. The discount brands feature different packings to avoid confusion between the full-priced and value offerings, she said.

In the extra-low-priced, or sub-generic, category, GPC Approved has undergone packaging improvements with a new lower price.

At Lorillard, Heritage is currently being rolled out nationally as an entry in the price-value segment, according to spokeswoman Sarah Ridgeway. The rollout came after only a few months of testing this spring, indicating that early results were very favorable, she said.

In the meantime, the company has continued to emphasize its multiple line extensions for Kent and Newport, most of which are made available on a regional basis. That may be

driven further with the advent of new advertising campaigns slated for this fall.

Like RJR, Lorillard also showed a dip in market share this year due mainly to its inventory balancing effort. Maxwell pegged the company's share at 7.4 percent, down from 8.2 percent, but once again warned to take the inventory situation into account.

After years of fighting back, The Liggett Group, which originated the generic category, may have found a winner to help take back its lost market share. According to Maxwell, Pyramid doubled its market penetration last year, moving to 1.2 percent, up from 0.6 percent a year earlier. That appears to have helped stem Liggett's market share losses.

The company bounced back with a 3.4 percent share overall, up from last year's 2.9 percent, according to Maxwell.

"Considering that Pyramid is not even 100 percent in distribution, it makes it even more impressive," said Jim Turner, president and CEO. "We're still trying to win better distribution at retail."

In the meantime, the company's Eve brand continues as its national brand leader. But Liggett believes it will find market success as a dominant niche player, both in regional brands and those directed at particular market segments.

"We are the small kids on the block. We can best compete in niches and regions," said Turner. "Supermarkets are probably more important to us than to our competitors. They offer the kind of opportunity for displays and promotions that we do more of than national advertising."

—BRENT H. FELGNER

SOFT DRINKS

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into the act. The agency learned that the carbon dioxide gas used to carbonate Perrier, although drawn from the same spring as the water, was separated at the source and reintroduced during processing. As a result, the FDA ruled that Perrier no longer could carry the words "Naturally Sparkling" on its label and, thus, could no longer tout

what had been a key claim to fame.

• And, as if that weren't enough, New York state discovered levels of salt in some samples that slightly exceeded the level required for Perrier to call the product sodium-free. Although subsequent tests revealed that the overwhelming majority of Perrier samples were below the threshold level—five milligrams per eight ounces—the company had to answer inquiries from state officials before they secured the right to call the product sodium free again.

Water processors boosted marketing and distribution in Perrier's absence. At G. Heileman Brewing Co., Inc., (La Crosse, Wisc.), orders for La Croix sparkling water gushed 300 percent during Perrier's absence from the market. "We've gained share from Perrier, and we're keeping it," says Bill Eiler, director of public affairs.

As a result, Perrier faced an ambivalent reaction to its reintroduction from many of the upscale restaurants that had helped the product build its status. But Perrier's comeback

has been stronger in supermarkets, according to Jane Lezgin, a spokeswoman for The Perrier Group of America (Greenwich, Conn.), the company's U.S. division.

Perrier's flagship sparkling water is back in about 85 percent of the supermarkets that carried the product before its recall, says Lezgin. The reintroduction seems to be on schedule, she contends.

"We said that, in the reintroduction, we would give the product 18 months to regain 80 percent of its market share."

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SUPERMARKET BUSINESS

NONFOODS BUSINESS

INSIGHTS FOR MANAGEMENT AND THE GM/HBA SPECIALIST

MULTIPACK BATTERIES POWER SALES GROWTH

BY MIKE DUFF ■ Supermarkets soon may face dying battery sales because they aren't taking advantage of high-voltage packaging and merchandising strategies that are boosting business for mass merchants.

Most importantly, supermarkets aren't taking full advantage of the growth in multipack battery products, manufacturers contend. Lacking multipack sales, supermarkets incur a double liability, they say. First, of course, multipacks offer discounters or drugstores an opportunity to take what could be a supermarket sale—and, often, to take several other sales as shoppers stock up on what general merchandise deals they find.

Second, supermarkets begin to lose the impulse sales that are the main contributors to the success of the battery category. Battery sales growth recently has been driven by products for home storage, and most of those products have been sold in multipacks.

According to A.C. Nielsen data, mass merchandisers, at \$83,400 per store, are producing six times the annual retail per store sales of food stores or drugstores, which average \$14,500 and \$13,000, respectively. But according to the data, food stores enjoy a 30 percent market share, compared with 36 percent for mass merchants.

The bigger dollar volumes being realized in the discount market can be attributed to multipacks and the higher sales per

Supermarkets are losing out to mass merchants who put more emphasis on multiple displays and multipack battery units.

SKU they represent, according to Rayovac Corp. (Madison, Wisc.).

About half of all discount store battery sales consist of packages containing six batteries or more, says Michael C. Plautz, director of marketing, U.S. consumer products, at Rayovac. On the other hand, multipacks only represent about 12 percent of supermarket sales.

"Eighty-five percent of last year's growth was in multipack sales," says Plautz. "Consumers are buying more batteries at a time and storing more. We think that means an opportunity both for us and for food stores." Says Gary Baker, director of trade relations at Eveready Battery Co. (St. Louis, Mo.), if supermarkets want a share of the growth in batteries, they must become aware of how competitive the environment is—not just the retail environment, but the environment of the shopping center.

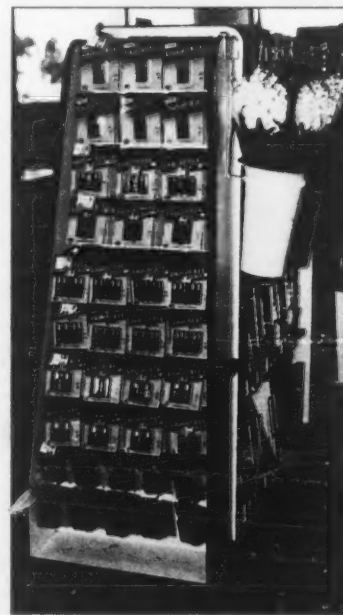
"There's no reason why supermarkets can't get the big battery users," he notes. "We see a lack of multipack sales in

supermarkets. At times, supermarkets seem to be a little bit satisfied. But in today's shopping centers, a customer can walk to the next store and get the product, and that's what the supermarkets have to recognize."

High product profile

Not only do supermarkets have to offer more multipacks to compete with discounters and drug outlets, they have to merchandise batteries of all kinds more prominently, say battery manufacturers. And they have to cross-promote and seasonally promote as well.

Batteries are among those items that are most vulnerable to merchandising neglect



By offering more prominent battery displays, Vons and other California supermarkets are enjoying better battery sales than their colleagues elsewhere in the U.S.

Southern California supermarkets have implemented many of the packaging and merchandising strategies that manufacturers recommend ... and are reaping the rewards.

because they need regular replacement, but are often overlooked until a buying opportunity presents itself.

"You have to put them where they're going to be seen," says Jim Donahue, director of public relations at Duracell, Inc. "For example, you're missing the bandwagon if you don't have them at checkout."

But, of course, many products—as well as the people responsible for their sales—compete for prime checkout space. "But batteries are extremely profitable," says Baker. "They deserve the space up there. Razor blades, for example, aren't as profitable as batteries. Supermarkets are getting to the point of listening to consumers. Many consumers don't want candy and cigarettes at the counter."

But opportunities for battery sales aren't limited to a few hooks at the checkout. Indeed, discounters have built business by integrating battery sales into the promotion and sales of other product categories, such as consumer electronics and lighting.

Mass merchants are building sales with multiple battery displays in both high-traffic and cross-merchandising locations. "Mass merchants may have as many as six locations, as opposed to a single location or perhaps two in supermarket GM aisles and a couple of hooks at checkout," says Plautz.

Battery manufacturers point out that getting their products noticed includes more than positioning them in high-traffic locations, important as that is.

Battery makers keep pace with Green movement.

Although they're disposable, made of chemicals, and non-biodegradable, batteries haven't been subject to a high-profile assault from environmentalists in this country. Yet.

But if they are, supermarkets can point out to concerned customers that technological innovations have significantly mitigated—and, in some cases, may soon eliminate—potential environmental problems.

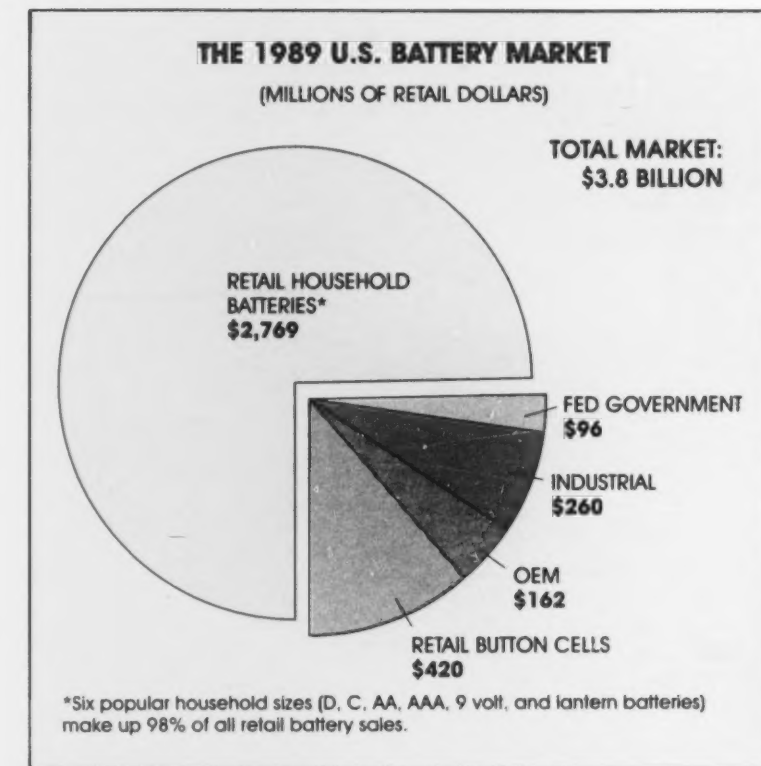
Batteries have been more scrupulously examined and regulated in Europe than they have been thus far in the United States. Some environmental activists, however, have called for consumers to turn to products that don't require batteries, such as spring-driven watches.

Environmentalists' primary objection to batteries is to the mer-

cury contained in disposable batteries and the cadmium in rechargeables—for eventually, even rechargeables wear out their useful lives. And they have found allies, both among consumers and government officials.

Recently, Minnesota implemented what is recognized as the most stringent state regulations regarding the mercury content of batteries. The idea was to set a standard that was on the edge of what was attainable—in this case, a mercury content of .025 percent. To the surprise of some, the major battery companies replied that compliance would be no problem. They could produce batteries that would meet those standards, not only in Minnesota, but nationwide.

Having long been anticipating an environmentalist assault, the major



In this case, sales follow function, so to speak. Batteries should be merchandised where products that require battery power are sold.

Cross-merchandising not only sells more batteries. If it's done well, the manufacturers—contend, it offers supermarkets the opportunity to create a broad array of promotions and to boost sales in other product lines, such as lighting. Rayovac points out that supermarkets are not just losing out on growth in the lighting category, they now are actually losing significant market share.

Manufacturers have programs that they say can help batteries spark such opportunities. At Eveready, "During promotional periods, we support a thematic sweepstakes, and that's an ideal way for supermarkets to maximize battery sales," says Baker.

But, he adds, to be successful, such promotions need supermarket assistance. "The problem is the amount of space in the permanent battery locations. If a small in-line location doesn't hold enough product, the store needs to put in other displays. And we have to see more multipacks and cross-merchandising."

Manufacturers offer support

As Baker points out, a few hooks at checkout and a single four- or eight-foot section in the GM section are inadequate for aggressive promotional programs, especially to maximize sales of multipacks. Thus, manufacturers are providing more prepack displays including standard battery packages, multipacks and items such as flashlights that are impulse-compatible to battery sales.

"You need that at key times of the year," he says. "For example, at Halloween, we have a haunted house display accompanying a sweepstakes. The haunted house anchors battery and flashlight cross-merchandising at Halloween for trick-or-

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HBA UNIT SALES INCREASE AGAIN IN MAY-JUNE PERIOD

Gain compared with year-ago period is led by 2.3-million-unit proprietary remedy increase.

BY ALAN B. MILLER JR.

During the period ending June 15, 1990, unit sales of health and beauty aids in food stores registered an increase over the corresponding year-ago period for the second consecutive four-week reporting period. Unit loss rates ranged from a high of 1.1% for shelf-stable foods to a rate of -0.3% for frozen foods.

In dollars, however, the 5.2% gain rate for HBA was topped by a 10.1% jump among refrigerated foods and a 5.4% gain rate for frozen foods. The four-week dollar gain for toiletries and proprietary items amounted to more than \$34 million, and the 5.2% gain rate was higher than the 12-week increase of 3.8% or the 3.9% annual gain.

Drugstore sales decline

Once again, the HBA performance was more impressive in food stores than in drugstores, where a unit loss rate of 4.8% was found. The current four-week loss is nearly three times the 1.7% national 52-week decline in drugstores.

As of the period ending in mid-June, product groups with losses outnumbered those with gains in a 5-to-4 ratio, but the 3.2% gain in the product group with the highest volume—proprietary remedies—was sufficient to offset losses in the five product groups.

The highest category gain, in elastic goods and dressings, was artificially induced, as items being tracked for the first time this year account for much of the 65.7% gain. But the 19.4% unit volume gain rate for home testing kits, followed closely by the 18.5% increase in personal lubricants, deserve recognition.

The highest four-week unit loss rates were recorded by appetite suppressants, where competition from Slim Fast continues to plague the low-volume HBA category, and pre-shave lotions, a low volume category in which Mennon's new Afta has not been successful in

expanding category volume.

The only category of baby needs with continuing positive performance is nursing supplies. Here, a 4.0% gain resulted, to large degree, from the national rollout of the Playtex Cherubs line. The highest loss rate in this product group was the 13.6% decline for baby oils, creams and lotions. An absence of important new product activity in these categories helps account for sales weaknesses.

Shampoos, hair care up

More categories of hair care needs registered gains than losses, and there was an increase of 0.8% in four-week unit volume for the product group. A gain of 1.7% in the high-volume shampoo category was enough to erase a loss of 2.5% in the second-highest-volume category of hair spray.

There are continuing loss situations among home permanent kits and hair dressing needs; but among hair coloring, a 1.2% loss rate for 52 weeks has been converted to gains of 2.0% and 11.6% for the four-week and 12-week periods, respectively.

The four-week gain of 1.7% in the oral hygiene product group compares favorably with both the 52-week loss of 1.1% and the 12-week trend of +0.1%.

The most important positive development in the HBA sales picture during the 28-day period ending June 15, 1990 was the fact that 12 out of 15 categories in the proprietary remedies product groups bore plus signs, ranging from double-digit increases of 15.8% for external analgesics (primarily liniments) and 13.1% for cough remedies.

Category gains and losses in the shaving needs product groups were even at two each, but because of a loss of 5.4% among razor blades (which now has been combined with razors and blades into a single category) the product group suffered a loss of 3.1%. ■

% CHANGE VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	4 WEEKS ENDING 4/20/90	4 WEEKS ENDING 5/18/90	4 WEEKS ENDING 6/15/90
BABY NEEDS	- 8.7%	- 5.3%	- 5.8%
Baby Powders	-21.8	- 6.8	- 8.9
Baby Oils, Creams & Lotions	-10.5	-10.0	-13.6
Infant Clothes	- 2.2	- 5.5	- 0.5
Nursing Supplies	- 1.6	+ 0.6	+ 4.0
MISC. PERSONAL NEEDS	+ 6.1%	+15.9%	+15.1%
Contraceptives	+ 6.3	+14.7	+14.0
Personal Lubricants	+13.1	+22.0	+18.5
Home Testing Kits	+ 9.2	+21.5	+19.4
Thermometers	- 4.4	+ 8.2	+12.2
DEODORANTS	- 0.9%	+ 5.0%	- 1.7%
Sprays	-13.6	-11.1	-12.6
Roll-Ons	- 3.4	+ 3.8	- 1.2
Stick Deodorants & Pads	+ 8.9	+12.6	+ 4.0
Creams	- 7.4	- 4.6	- 8.9
Deodorants & Talcum Powders	-10.9	-16.6	-18.2
Feminine Hygiene Deodorants	- 5.1	+10.9	+18.6
Foot Deodorants & Athlete's Foot Remedies	- 0.6	+ 5.5	- 7.6
Feminine Douches	- 6.4	+12.8	- 0.2
FIRST AID	- 0.6%	- 4.4%	- 4.1%
Antiseptics	+ 6.1	- 0.6	- 3.7
First Aid Products	- 3.4	- 6.4	- 4.8
Elastic Goods & Dressings	+88.4	+83.0	+65.7
HAIR CARE NEEDS	- 4.8%	+ 0.6%	+ 0.8%
Shampoos	- 7.2	- 1.1	+ 1.7
Hair Sprays	- 4.6	- 1.0	- 2.5
Hair Conditioning Rinses	- 2.5	+ 5.4	+ 3.0
Hair Setting Needs	+ 3.3	+10.7	+ 5.5
Home Permanent Kits	- 9.9	- 3.8	-15.8
Hair Coloring	+ 1.9	+ 0.5	+ 2.0
Hair Dressing Needs	-11.9	-10.5	- 5.4
ORAL HYGIENE	- 1.8%	+ 1.4%	+ 1.7%
Toothpastes & Powders	- 1.5	+ 1.3	+ 3.1
Mouthwashes	- 8.6	- 5.5	- 2.1
Breath Fresheners	+ 3.5	+ 5.1	+ 9.5
Denture Cleaners	+ 2.6	- 0.3	- 1.1
Denture Adhesives	- 1.1	+ 1.5	+ 1.0
Toothbrushes	+ 4.5	+11.5	+ 5.7
Dental Aids	+ 5.0	+ 9.8	- 9.8
PROPRIETARY REMEDIES	- 0.7%	+ 0.4%	+ 3.2%
Antacids	+ 0.6	+ 1.9	+ 2.9
Internal Analgesics	- 7.6	- 2.4	- 1.3
External Analgesics	+25.8	+18.8	+15.8
Cold Remedies	+ 3.5	+ 2.5	+ 8.6
Nasal Sprays/Drops/Inhalers	+ 1.0	+ 0.4	+ 3.5
Chest Rubs	+ 1.4	- 0.6	+ 9.9
Cough Remedies	+ 5.8	- 0.5	+13.1
Laxatives	- 0.8	+ 0.6	+ 0.1
Sleeping Aids	+ 5.9	+ 2.8	+ 5.0
Tranquilizers	-16.2	-14.4	-16.2
Eye Care Products	- 3.8	+ 1.4	+ 0.1
Appetite Suppressants	-19.3	-25.6	-20.3
Synthetic Vitamins	+ 1.2	+ 9.4	+ 7.1
Natural Vitamins	+ 3.8	+ 4.4	+ 4.9
Misc. Proprietary Remedies	+ 5.0	- 0.4	+ 3.9
SHAVING NEEDS	- 4.5%	+ 4.7%	- 3.1%
Shaving Creams	- 5.4	- 2.2	+ 2.1
Pre-Shave Lotions	- 9.0	- 9.9	-19.1
After-Shave Lotions	+ 0.2	+ 5.6	+ 1.5
Razor Blades	- 4.4	+ 8.1	- 5.4
SKIN CARE AIDS	- 6.3%	- 2.8%	- 1.2%
Hand & Body Creams & Lotions	-11.1	- 3.7	+ 0.9
Facial Preparations	-11.1	- 9.2	-14.0
Lip Care Products	- 2.1	- 7.5	+ 3.1
Suntan Lotions & Oils	+ 1.4	+ 6.9	+ 2.5
Cosmetic & Medicated Skin Aids	- 2.8	+ 2.5	+ 1.2
TOTAL ALL CATEGORIES	- 2.6%	+ 0.8%	+ 0.5%

Continued from page 196

treaters. But you can't merchandise that in the hardware section if you want to jump on the bandwagon."

Other seasonal promotions, and some nonseasonal, offer more opportunities. For example, Baker suggests a promotion tied to daylight savings time, encouraging consumers to change clock batteries in cordless clocks when they "spring forward" and "fall back." Sales of household fire alarms can be tied to slow seasonal periods with annual "change-your-battery" promotions.

In one of its promotional displays, Rayovac makes a fashion appeal with inexpensive, brightly colored flashlights designed to appeal to teenagers.

But will multipacks and better merchandising improve supermarket market share in batteries? Available evidence says: Yes, they will.

Southern California supermarkets already have implemented many of the packaging and merchandising strategies that manufacturers recommend, and, according to Rayovac figures, they are reaping the rewards.

Supermarkets in southern California, with 3.2 average locations per store, have almost double the national average of 1.8 battery displays per store. Furthermore, multipacks represent 18 percent of sales in the areas, compared with 12 percent for the U.S. overall.

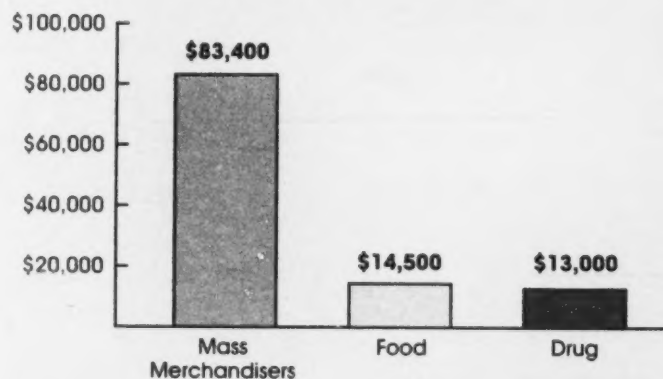
The results of such efforts, says Rayovac, are average supermarket sales of \$34,000, versus \$14,500 nationwide. While the Los Angeles/San Diego combined market represents 6 percent of food sales nationally, the same area is responsible for 12 percent of the battery business in food stores. And while battery sales in supermarkets increased annually by 3.9 percent across the country, the southern California market grew by 8.8 percent per year.

"California supermarkets are simply doing a better job in batteries, and that's what the difference is between that market and the rest of the country," says Plautz.

But California supermarkets aren't the only ones who are developing their battery operations to build better sales. Jim Level, president of Level Food Centers (Fort Worth, Tex.), says the environment for batteries has indeed grown more competitive and that multipacks are one way that supermarkets should be responding. Of course, there are others.

"We do battery promotions off rack three times a year," says Level. "We use special promotions, special displays around high-battery-use periods like Christmas and Easter. They never fail to work. You have to get batteries in the front end. But at high-volume times, that won't be enough, and you need more displays." ■

AVERAGE RETAIL DOLLARS/STORE



Mass merchandisers are producing six times the per store dollar volume of food stores or drugstores.
Source: A.C. Nielsen

'There's no reason why supermarkets can't get the big battery users. But in today's shopping centers, a customer can walk to the next store and get the product, and that's what the supermarkets have to recognize.'

**Stock Up On Dirt Devils.
And Wish Your Customers
A Very Messy Christmas.**



If you want to see lots of green this Christmas, your customers need to see red. Lots of red. As in Royal's Dirt Devil® vacuums. They're lightweight, powerful, and compact; and they come in awfully handy when all that

Christmas glitter turns to litter. And if some Christmas angels snap up all your Devils, don't worry. We'll send you more UPS. So make sure your customers have Dirt Devils to put under their trees, and we won't needle you about it again.

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GREETING CARDS

Continued from page 159
individual supermarkets.

"We started using computers to determine what kind of neighborhood a store is in," says Bauer. "Is it a family neighborhood? Is it a rich neighborhood? We started determining by ZIP code and now we go down the the street corner. For example, if we find out a store is in a traditional neighborhood—mother, father and two kids—instead of having a lot of general cards, we'll have 'Happy Anniversary,' 'Happy Birthday.' We'll have a lot more captioned cards, such as 'To My Husband on Our Anniversary.'"

Gibson Greetings, Inc. (Cincinnati, Oh.) keys on flexibility of product and merchandising to drive sales in supermarkets. The company's wide array of licensed properties—which range from the Flintstone Kids to the Golden Girls, and also include Disney and Muppet characters Ernest P. Worrell

("Hey, Vern"), Roger Rabbit, Major League Baseball, Coca-Cola and Martin Luther King, Jr.—appeals to a number of different demographic groups.

Gibson prides itself on its advanced fixture design, such as its Concept 2000, which offers snap-in shelving tiers better adapted to daily store operations. "It allows for flexible presentation, because it removes the need to rip out the whole department to change products," says Peter Shapleigh, vice president for business development.

The sales of greeting cards outside the card section is controversial among manufacturers. Ambassador avoids doing it, while American Greetings is more amenable to the practice.

But "outposting" or "bottiquing" cards is a central part of the merchandising strategy developed by Gibson.

"We are developing more volume out of the greeting card section," says Peter Shapleigh, vice president of business development. "We have great kiosks for use in other sections, such as bakery or floral.

We've also developed plastic card tiers that fit different aisle endcaps. Most of these fixtures relate to time of year for seasonal promotions."

Jim Level, president of Level Food Centers (Fort Worth, Texas) says his greeting card sales are up about 21 percent this year. But just as important to him are related sales that cards help build.

"We've tested a greeting card program with American Greeting that's done well so far," he says. "In the past, the problem with selling frames was the space they took up. But American Greetings came up with a merchandising system and fixtures that sell frames in less space, so we don't lose a lot of space with the program."

But Jerry Bitner, director of general merchandise at Haggen, Inc. (Bellingham, Wash.), says he hasn't seen evidence that greeting cards are yet a strong enough sales engine to drive sales elsewhere in the GM section.

Although, he acknowledges the improvement in card merchandising, Bitner says,

"That helps customers notice cards, but I don't think it helps the overall store at all."

Bitner contends that more needs to be done to link greeting cards to the rest of the store. "We put cards out in the floral section around Mother's Day, for example, and we need to see more of things like that. This year we've done good business with baby cards in floral. That can be done all over the place."

On the other hand, Ambassador continues to focus on the development and profitability of greeting cards in a centralized section.

Without a strategic focus, the strength of greeting card sections will be diluted by poorly serviced peripheral sections that reinforce the image of poor selection and second rate presentation of product, Ambassador fears.

But ultimately, retailers are likely to borrow from both the core-business and outposting approaches, as competition with other classes of trade becomes tougher and as greeting card sections evolve in supermarkets.—MIKE DUFF

TECHNOLOGY

Continued from page 19
with the ability to explain changes in performance. Since all store-level data is stored in a single corporate database, field supervision can trace problems to the individuals who worked the hours when the problems occurred—e.g., "We always seem to have cash shortages in 'Store 8' when 'Mary Jones' is the responsible manager and/or when 'Bob Smith' is working the register."

Daily, the performance of each store is compared with the other stores operating in the same district (Exhibit C). This information is available to the store manager, e.g. if his sales were impacted by the "snow," he can see whether his results were comparable to the other stores in the area. This comparison process continues up the organization from district to area, and from there to a total corporate reporting system.

On a weekly cycle, the headquarters systems reports performance on a variety of operational issues ranging from Cash Over and Short to Product Inventories. Almost every report follows the pattern of comparing each store

to its plan, and/or the norms achieved in their trading area.

The Fields system also has a mechanism to measure the performance of the district manager. Every time the DM visits a store, he or she must complete a "Management Report Card" evaluating all aspects of the store's performance. Consistent with the Fields goal to eliminate paperwork, this report is entered into the store's PC, by answering questions prompted by the system. This intensive review process takes an average of 15 minutes to complete.

When the area manager is reviewing the performance of each store in the districts that report to him, he is able to compare the store's performance and the expert system's analysis of recommended action with recent evaluations of the district manager. Any problems highlighted by the expert systems should be consistent with the on-site observations.

Every Fields store has the ROI System installed, but not every manager takes full advantage of the system's facilities. At any given point in time, according to Randy Fields, 80 percent of the over 700 store managers are using the system effectively. That's a

rather high level of execution. Fields says they've also found that there is a very, very high correlation between those stores with problems and those managers who are not using the system effectively.

He expects that as they continue to enhance their expert system approach, managers will be able to improve the decisions they make in setting their weekly goals, and in the decisions made to adjust them in response to unanticipated changes that always occur in any retail environment.

What people do best

The bottom line is that the Fields approach started with a different focus. They wanted to work on those things that a computer could do best, such as analyzing numbers, in order to free time for the things that a human does best, such as selling. With this perspective of retail systems, no one will ever say, "My job was taken over by a computer." Instead, one might say, "The computer permitted me to do my job."

How does your retail automation strategy compare with the ROI strategy? It may be time to set some new priorities that focus on improv-

ing the use of management time and management decision making. If you agree, then there are several new facilities that must be put in place.

First, a single corporate database must be built to hold all key operating data about your retail operations. This database must be supported by a communications network that retrieves data and makes it available daily.

Second, you must develop a store-level sales planning facility. Underlying most of the ROI labor and production systems is a shared daily and hourly sales forecast. This forecast process will use historical sales history, a calendar reflecting predictable seasonal events, factors reflecting promotional sales influences, and adjustments required to reflect specific store conditions.

In future columns I'll cover some of the design and application issues that must be addressed in the development of this strategic store database and sales forecasting facility.

I think that during the next few years, we'll see the Fields strategy reflected in the retail application priorities of many of our leading retail organizations. What's your reaction? ■

P E R I O D I C A L S

Continued from page 166

as *Time*, *Sports Illustrated* and *Fortune*. The Times, Inc. Magazine Company rarely promotes regular issues. "The need isn't there," says Gunn, a 16-year *Time/Life* employee. "We do some things to highlight the unique quality of the special issues."

On the other hand, ICD/Hearst (New York), Conde Nast (New York) and Reader's Digest (Pleasantville, N.Y.) are examples of more promotions-conscious publishers.

The impulse factor of magazine sales dictates their placement at checkout—and, as more and more buyers are advocating, across from cereals, paper towels and other high-traffic goods. "That's where you want to be," says one buyer, "because magazines are high-impulse items."

The Front End Profitability Study released by *Periodicals Merchandiser* reveals that magazines and paperbacks account for 48 percent of sales at the front end. Candy and gum are a distant second, at 24 percent, while tobacco products are third, with 18 percent. All other products combined totaled 12 percent.

With those figures in hand, the Periodicals Institute poses the following question: Why are the three hot categories that drive checkout sales increasingly subject to attack from peripheral products (i.e., blades, beauty products, film, postcards, writing instruments) and seasonal items (lip balm, cough drops, sunglasses)?

"The result is front-end clutter that kills sales—especially for high-impulse items such as publications," sums up the Institute.

Are there problems down the road? Clearly. Too few people for many jobs.

Labor shortages are substantial with most supermarkets,

Fitzmaurice says. "And one of the biggest problems is the mainline. They don't have the help to keep things in order." But there is a work force ready and willing to step forward.

"The graying of America is taking place. Some people in their sixties and seventies are just as capable of working as people in their forties and fifties," he says. "There is a substantial labor pool among senior citizens that is not only reliable, but easy to train." He cited Publix, a Lakeland, Fla.-based chain of 372 supermarkets, as a company that is utilizing this emerging, industrious group.

—DON HARRISON

S O F T D R I N K S

Continued from page 192

Lezgin says. "Right now our numbers are fluctuating, and it's hard to look at 'apples to apples.' We didn't begin the reintroduction of Perrier with a Twist until [this month]."

Yet a source at an upscale urban supermarket chain in the Northeast says that Perrier "never came back to where it was" before the recall. The source acknowledges that the reintroduction of flavored Perrier products has yet to make a contribution to the company's comeback, but adds that Perrier's Twist products were never big contributors to sales.

Perrier remains optimistic that it can regain most, if not all, of its previous sales, and that it will retain its stature as the champagne of bottled waters. Some observers have credited Perrier's public relations and advertising efforts with keeping the brand in consumer minds.

T R U C E I N T H E C O L A W A R S ?

While Perrier has been all at sea with its water problems, back on the battle front of the Cola Wars, it seems as if a limited truce between Coca-Cola and archrival Pepsi has held up in large measure.

More than a year ago, observers noticed that the cola giants had begun stepping back from their previously cutthroat competitive practices in several key markets.

Pepsi is cool to any resumption of hostilities. "We're not so interested in the Cola

Wars," says Gary Gerdemann, a Pepsi spokesman. "We're pledged to be the business profit leader by 1992."

Yet to characterize the relationship between the soft drink superpowers as détente may be overstating the point. For instance, the troops at Pepsi couldn't help but be heartened when Coca-Cola's highly touted Magic Can promotion ran into trouble.

The cans used a device to deliver cash to winners directly from the container: Coke-filled, prizewinning cans with water, separated from the cash by a seal. Unfortunately, the seals sometimes leaked and a few unlucky winners, who tried to drink out of the cans, got a mouthful of unpleasant liquid. And even the idea of winning seemed to bother some Coke devotees, who preferred the soft drink to a quick buck or two.

Despite the problems, the company characterized the effort as a success.

"We regard the Magic Can promotion as a success," says Bob Bertini, a spokesman. "Even though it had some mechanical problems, it won the interest of the trade and consumers."

As part of the Magic Summer promotions, Coca-Cola launched a second promotion in August named Magic Cruise, featuring the singing group New Kids on the Block. The grand prize is a Caribbean cruise with the band.

While Coke's summer marketing program suffered technical difficulties, Pepsi's summer Cool Can promotion went off without a hitch. Targeted, like the bulk of Pepsi

marketing, to the adolescent/young adult market, the commercial starred Young MC, a top rapper who also sang the theme.

But the national sales push isn't the only Pepsi initiative. A restructuring in 1988 led to the creation of four separate divisions in the U.S., each with its own marketing staff that has the power to create its own promotions. An example has been central division's "True to the Red White and Blue in the Heartland."

"For the 'True to the Red, White and Blue' promotion, we used TV, radio and newspaper advertising, and we had impact giveaways and a sweepstakes. The promotion's tag line was 'Everyone's a winner in the Heartland.' Anyone who bought a Pepsi literally won a prize, from record discounts to minivans. Each Pepsi container was labeled, 'This Package is a Winner.'"

Coca-Cola also is putting more emphasis on regional marketing programs. "We're doing a strong supermarket push with regional tie-ins to major events, such as the Indy 500," says Bertini.

Coca-Cola continues to leverage the Coke family of products, this year with the introduction of caffeine-free Coca-Cola Classic. Coca-Cola has also repackaged "New Coke" as Coke II, and reports indicate that the company will launch its sweeter, less carbonated soft drink as a direct strike at Pepsi and attempt to win over the younger audiences Pepsi targets.

Of course, each year, several new soft drink stars are born.

While last year's darling, Soho Natural Sodas, a company purchased in 1989 by Joseph E. Seagram & Sons, continues to thrive, Snapple Natural Beverages (Ridgewood, N.Y.) seems to have stolen the show, at least for the moment. Snapple products have become the "in" thing to drink with a takeout lunch all over New York. Another emerging star, Original New York Seltzer Naturally Flavored Sodas, has taken up a competitive position against Soho. Original New York—a Walnut, Cal.-based firm with roots in the Big Apple—also has become the first company in the U.S. to roll out nationally a major iced coffee product.

I C E D T E A S A N D C O F F E E S

Time may have to tell, but it seems as if some of the trendier soft drink producers are betting that iced teas and iced coffees will prove appealing to consumers looking for noncarbonated soft drinks.

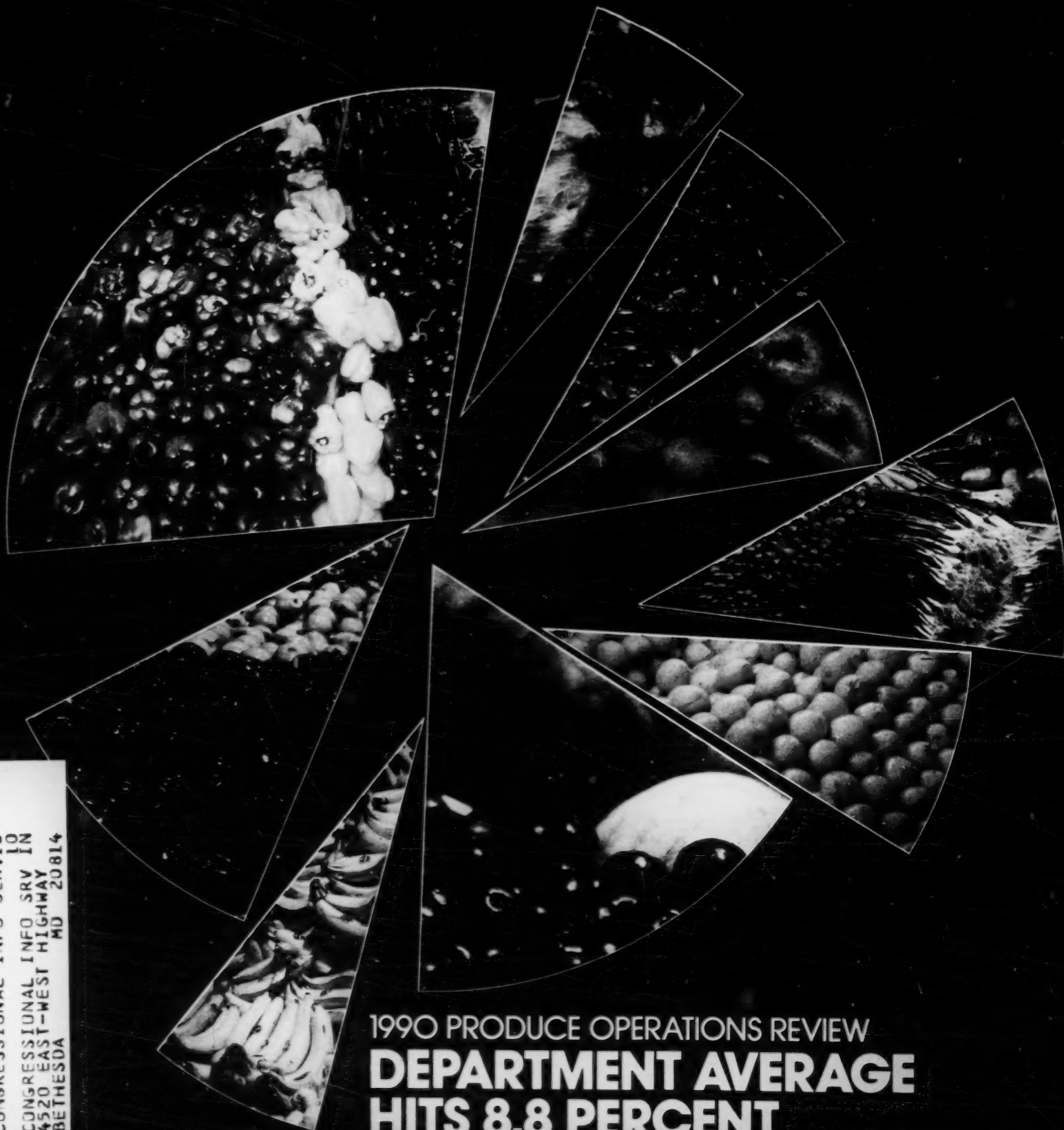
That doesn't necessarily mean just older consumers. "Everyone drinks our iced teas," says Leonard Marsh, chairman of Snapple.

Isotonic drinks, those that claim to replace nutrients lost in exercise, also are hot sellers, prompting several soft drink companies to test those waters. And category leader Gatorade is adding several new products, including a light version of the product. "The prospects for the category are positive," says Peter Vitulli, president of Quaker Oats's Gatorade subsidiary (Chicago). "Our target audience is people engaged in physical activity, and we think the health trend will continue." —MIKE DUFF

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1990 PRODUCE OPERATIONS REVIEW
**DEPARTMENT AVERAGE
HITS 8.8 PERCENT**

ORGANIC PRODUCE SALES DWINDLE

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SUPERMARKET BUSINESS

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DAVID LITWAK AND JANET TORRES CEPEDA

Produce sales rose to a record \$29 billion in 1989, up 8.4 percent from the previous year. Higher prices accounted for most of the increase; and although the department's share of total store sales went up slightly, its contribution to store profits declined.

MANAGING A LIVING COMMODITY KATHY ZAR PEPPLER

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By taking advantage of the emotional appeal of blooming plants, supermarkets can improve floral sales significantly, especially during the off-peak, non-holiday seasons.

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High prices, uncertain supplies and pending legislation are clouding the horizon for organic produce.

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Although its customer base is still Hispanic, the Miami-area chain is serving a wider range of customers in its ethnically diverse hometown.

DIET FOODS RUTH PAPAIZIAN

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Health-conscious consumers of the '90s are no longer satisfied with foods that are just "low-calorie"; they want products that are also low-fat, low-cholesterol, and low-sodium.

SIGMUND'S IN GREAT NECK, N.Y.: A FRESH NEW CONCEPT HOWARD RIELL

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The creators of Food Emporium have begun a store that places extra emphasis on freshness, and that offers restaurant-quality takeout fare.

KING KULLEN: REMODELING FOR A NEW ERA HOWARD RIELL

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As part of a major facelift, King Kullen is placing much greater emphasis on its instore delis and bakeries.

STRIVING FOR THE SWEET SMELL OF SUCCESS MIKE DUFF

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While some supermarkets are expanding sales of fragrances, experts warn that it takes hard work to create the atmosphere needed for the products to succeed.

GM/HBA ISSUES FRANCIS E. WILLMES

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GARBAGE IN, GARBAGE OUT



By Ken Parich,
Editor-in-Chief

Everybody is on the alert for the next new "big" problem, or is it big story? Ever notice? We no sooner solve the problem of international socialism, and begin to talk about being able to save some money on armaments, when Iraq feels it has to fill the "big news" gap. And guess what's over the hill? Our old friend the oil problem. And what's over the next hill? Inflation. And the next? Recession. Sound familiar? You bet.

That's because we don't really like dealing with small problems. Small problems are like gnats. Go 'way, we say. We'll deal with you later. Small problems are like small beer—no news in that. Come back when you are a big problem; then we can deal with you. Big problems are easy to deal with. We appoint a Presidential Commission or a United Nations Council. Then we can deal with it.

It's the same with garbage (or solid waste) and organic farming. We tend to think that these are problems that are so enormous that we'll have to appoint super people to super committees in order to deal with them. Not so. I already solved the problem of garbage in my April editorial. (I said to outlaw it.) I mentioned this to the professional garbage man, William Rathje, the archaeologist who excavates landfills, at the recent NAWGA Midyear meeting where he was a speaker. He agreed. Or I think he agreed, but he may have been simply humoring me while on to his next encounter at the cocktail party.

There really is no shortage of landfill space, says Rathje, it's just that people don't want it near them. At least the politically savvy people don't want it near them. But we all know that there are plenty of places in this country—nay, right here in the city of New York—where it would never be noticed. Take the South Bronx, for example. Start at the Cross-Bronx Expressway and head north. You could make that area one large landfill, and nobody would ever

notice. Certainly nobody goes there.

There are parts of Queens and Brooklyn that are absolutely dying for garbage. To say nothing of parts of New Jersey. Look how Mobil and other oil companies have been using Greenpoint in Brooklyn as an oil dump. There's so much oil under that part of Brooklyn that we may have to drill there soon.

Solid waste is really no problem. We're just bored. Organic farming is really no great problem either, when you think about it. We just have to go about giving everybody a little plot of land; say, down by the railroad tracks as they

Small problems are like gnats, while big problems are easy to deal with.

do in Germany and France, and grow our own veggies and fruit in every community—at least in the summer.

Perhaps all our veggies and fruit should be grown locally. Of course, we might have a little trouble getting the truck farms back in New Jersey and The Bronx, the way they were when I was a kid, what with Co-op City now on that land in The Bronx, and various shopping malls and housing projects in New Jersey. And it might be a little difficult moving Levittown and the Roosevelt shopping mall off all that potato land out on Long Island, but we can manage.

So what if we can't have fresh oranges and grapefruit in winter? We'll make do with frozen orange juice and grapefruit juice. And there's nothing wrong with frozen and canned veggies either. Of course I and my friends grow their own tomatoes right now—some of them. And some of my friends sometimes lose the whole crop to white flies. And I did spend about \$12 on insecticides and fertilizer for this year's crop of tomatoes (I cheat) for about \$20 worth of tomatoes at the store. (I prefer mine).

I suppose I could learn to do it organically. I do plant the marigolds with them, but somehow if I don't use the sprays, nasty little things drill holes right through them just before they can be picked. It's either that, as they say, or develop a taste for worms.

As I say, it's the little problems that are difficult, not the big problems. When it comes to the insecticide problem and organic farming, California may soon have the solution. The solution has been neatly packaged in the form of Proposition 128, commonly known as "Big Green." Come Election Day in California, if the voters say "Yes" to the Big Green initiative, they'll just sprinkle a few votes on the problem of growing crops organically, and the problem will be solved. That's the way it's done in California, because they have people who think BIG.

I asked Ellen Haas of the Consumer Federation of America, who was also at NAWGA, why it was that if consumers were so concerned about insecticides on their produce that sales of organic produce at the supermarket are down. Ellen said the price for organic produce is too high. Uh, huh.

Come November, California may have legislated the entire issue of organic farming and insecticides right into yesterday's scrap heap. If they can do it, why can't all of us? Let's have each and every one of the 50 states pass a law—no, two laws. One to outlaw garbage, and the other to outlaw insecticides and fertilizer. Otherwise...

Seriously though, there is an important connection between solid waste and organic produce. For one thing, if we have nothing but organic produce, we are going to be throwing a lot more of it away, unless we stop being so fussy about worms. And if the price of oil keeps rising, we may need that garbage to help keep us warm, and to help make electricity. That need could put a value on garbage, and that will solve the problem. ☐

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1990 PRODUCE

OPERATIONS REVIEW

BY DAVID LITWAK AND JANET TORRES CEPEDA

Produce sales rose to a record \$29 billion in 1989, up 8.4 percent from the previous year. Higher prices accounted for most of the increase; and although the department's share of total store sales went up slightly, its contribution to store profits declined.

Produce department sales soared last year in the nation's grocery stores, hitting a record of \$29.03 billion. This represented a significant increase of 8.4 percent over the previous year.

But produce prices went up just as significantly. In fact, produce price increases accounted for virtually all the growth in sales. Average retail prices of fresh vegetables and fruits increased 8.5 percent in 1989.

The price increases were due to many factors. The weather took more than the usual toll on supplies of produce. Some growing areas had droughts; others had too much precipitation, and cold snaps hurt winter citrus crops. In certain categories, imported produce helped to compensate

for missing domestic production, but at a higher price than locally grown products.

To put produce's performance in perspective, many categories in the store did not perform as well as produce despite increases in price. For instance, the prices of red meat increased last year, but even higher prices could not save the section from an overall decline in sales of 0.9 percent.

More money, less money

Average weekly produce sales per supermarket rose to \$18,186, which amounts to \$1,254 more per week than the produce department brought in the year before.

The increase in sales within individual produce departments was almost universal. Ninety-one percent of the

stores reporting said that their weekly sales were higher in 1989 than in 1988. Only 9 percent saw no change in produce sales, while no stores experienced a decline.

The higher produce department sales raised the section's share of total store sales slightly last year. Produce now accounts for an average of 8.8 percent of total store sales, up just two-tenths of a percentage point from 1988's 8.6 percent.

This average share of store sales is in the middle of a rather large range of responses. In some stores, produce sales can account for a much higher percentage of the store's sales, as it can often be the featured department upon which much of the store's reputation lies (in the so-called "produce" stores).

Continued

PRODUCE CENSUS, SALES & MARGINS

Produce department sales rose 8.4% during 1989, reaching a new high of \$29.03 billion dollars. This increase was mainly a reflection of higher prices.

Average weekly produce sales in each of the nation's 30,700 supermarkets rose to \$18,186 last year, with sales through larger stores averaging over \$23,500 per week. Prosperity was almost universal, as 91% of the stores reported higher sales in their produce departments during 1989. No stores experienced a decline in produce sales.

On average, produce accounted for 8.8% of total store sales, up slightly from the previous year; and 16.5% of store profits, down from 18.9% in 1988.

Produce Units

Produce departments	30,700
Percent of all supermarkets	100%

Average Weekly Sales

Mean	\$18,186
Median	\$17,875

By Store Format

Conventional	\$7,353
Super Store	\$23,582

Change in Dollar Sales

(1989 vs. 1988)

Higher	91%
No change	9%
Lower	0%
Total	100%

Average reported increase 9.4%

Annual Sales (billions)



Sales, Profits & Margins

Share of Total Store Sales			
Mean	8.8%	Median	8.6%
Contribution to Store Profits			
Mean	16.5%	Median	16.1%
Gross Margin			
Mean	34.5%	Median	33.2%

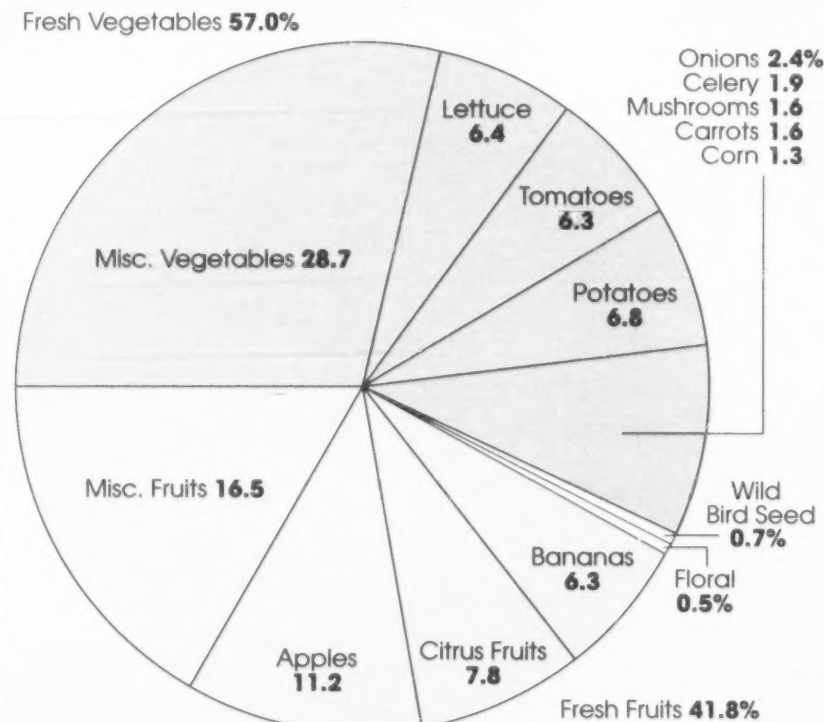
PRODUCT MIX

No one or two product categories dominate produce department's sales. The product mix is made up of many categories with small sales. The category with the highest share is apples, which account for 11.2% of produce sales.

As larger subdivisions go, vegetables still have the majority of the department's sales. They account for 57% of the sales through the section. This is down slightly from a year ago. Fresh fruit sales have increased their share of the produce pie (41.8%) at the expense of the vegetables.

Portioning Out the Produce Sales Dollar

Share of Sales



PRODUCTS

The floral section's share of produce sales decreased slightly last year, but this may simply be the result of the separation of the floral section from the produce department in what is now the majority of stores.

Special Sections

Percent of Companies That Have Sections

Floral

91%

Fresh Squeezed Juice

73%

Salad Bars

68%

Bulk Foods

40%

Percent of Sections Run by Produce Dept.

45%

84%

50%

53%

100% 80 60 40 20 0 20 40 60 80 100%

The average department now carries 260 varieties of produce, about 50 more than in 1988; and during the summer months, this average goes up to about 300 products.

Gross margins for produce are up as well. The average margin garnered for the whole department last year was 34.5 percent, as compared with 32.8 percent a year ago.

The only area in which the results faltered were in the average contribution that the department made to total store profit. In 1989, the produce department accounted for 16.5 percent of store profits, down from 18.9 percent in 1988.

This does not mean that produce is suddenly less profitable. If margins and labor costs are an indication, then the department has stayed at about the same level of profit it enjoyed the year before. But the profits generated by some other store departments have increased, thereby lowering produce's percentage share.

There seems to be both good news and bad news on the labor front. The amount of labor needed to run the department decreased slightly last year. It now takes 4.9 full-time equivalent employees to man the department, down from the 5.3 it took in 1988.

The decrease was in the amount of part-time workers that the average section employs. In 1989, part-timers were down to 2.9 on average per department, from 1988's 3.7. There was no change in the number of the more expensive full-time employees (3.4).

Despite the drop in the number of workers, however, the percentage of produce sales that went to pay for labor stayed the same. It

The produce department's sales continue to grow at a faster rate than its physical size. Sales per square foot rose to \$3.81 in 1989, a 4.7 percent increase.

still takes about 8.6 percent of department sales to pay for the section's labor costs. This indicates that the costs per employee rose during 1989.

One happy note is that the average weekly sales per employee also rose last year. Between higher departmental sales and a decrease in the number of workers in the department, sales per worker rose to an average of \$3,711 per week.

More products

It is quite an achievement that the produce section was able to reduce staff, especially in the face of increased numbers of products. On a year-round basis, the average department now carries 260 varieties of produce, about 50 more than in 1988. During the summer months, this average goes up to about 300 products.

The gap between the number of products in the produce section during the summer and the rest of the year is shrinking. Imports, hot-house-grown produce, new varieties, exotics and ethnic produce have helped keep the department abundantly stocked, even during the heart of the northern winters.

The vast majority of produce sales continue to be in bulk products. Last year, 77 percent of sales were through bulk sales, with only 23 percent coming from pre-packaged produce. A majority of these packaged sales came from such items as potatoes, onions, carrots and mushrooms—that is, those items packaged by the grower and not in the store.

The warehouse is still the place from which most produce is brought to the store. Only about 3 percent of produce is delivered directly to the store rather than through a warehouse. Continued

SPACE, LOCATION & EQUIPMENT

Average Weekly Sales Per Square Foot of Space

Mean \$3.81

By Store Format

Conventional	\$3.39
Super Store	\$4.72

The average produce section added 116 sq. ft. last year, helping to ease the space crunch caused by the addition of many new varieties of produce on a year-round basis, as well as new services such as juice bars.

The produce department still occupies, on the average, just over 12% of overall store space. Since sales increased faster than space in 1989, sales per square foot rose, from \$3.64 to \$3.81.

Most produce departments have a wide array of equipment, including refrigerated cases, dry and wet tables, corers, shrink wrappers, misters, random weight scales tied to scanners connected to the central scanning processor, and juicers.

Size of Department

Square Feet of Space

Mean	4,774 Square Feet
Median	2,840 Square Feet

Share of Total Store Space

Mean	12.2%
Median	10.9%

By Store Format

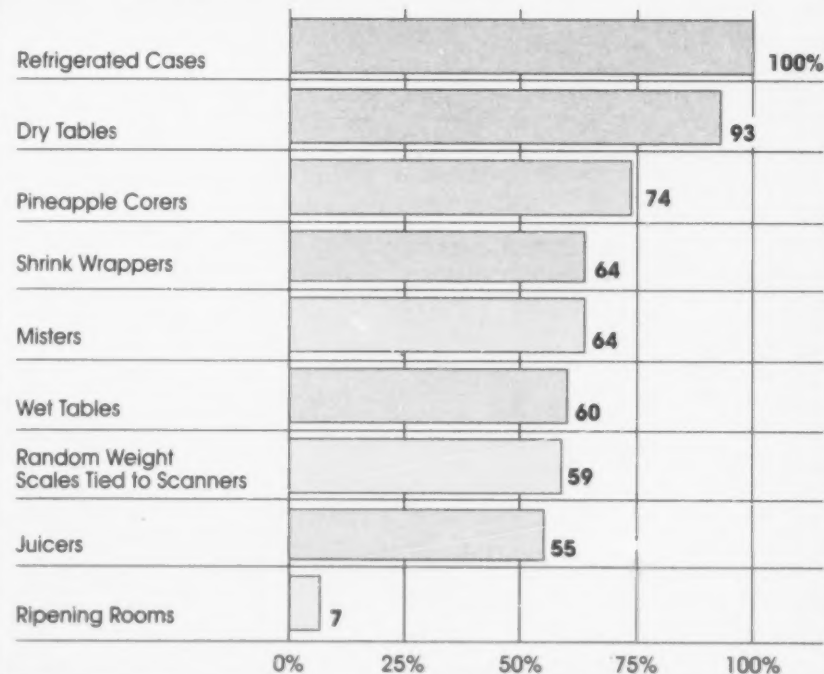
Conventional	2,170 Sq. Ft.
Super Store	5,000 Sq. Ft.

By Store Format

Conventional	12.4%
Super Store	11.3%

Well-Equipped Produce Dept.

(Percent of Stores That Have)



LABOR & SERVICE

It now takes fewer employees to run the average produce department. Only 4.9 full-time equivalent employees per department were required in 1989, down from 5.3 in 1988. But since most of the reduction in workers came from part-timers, there was no real savings in terms of the percentage of produce sales going to pay for labor (8.6%).

Bulk sales continued to dominate the way in which produce categories are merchandised and sold. Seventy-seven percent of all department sales last year were from bulk merchandising.

Number of Employees

Full-time	3.4
Part-time	2.9
Full-time Equivalent	4.9

Full-time Equivalent Employees

Fewer than 3	1%
3-4	24%
5-6	33%
7-9	42%
Total	100%

*Two part-time=one full-time employee

Average Weekly Sales per Employee*

Mean	\$3,711
\$2,000 or less	3%
\$2,001-\$3,000	24%
\$3,001-\$4,000	46%
Over \$4,001	27%
Total	100%

*Full-time equivalent employees

How Much for Labor

(Labor as a Percent of Product Sales)

Mean	8.6%
Median	8.2%

8% or less	29%
8%	16%
9%	23%
10%	32%
Total	100%

Items Sold Packaged or Bulk

(Percent of Products)

	Mean	Median
Packaged	23%	28%
Bulk	77%	72%

Half of all produce directors say they are receiving a

greater share of the store's advertising budget than the department's share of total store sales.

About 11 percent of an average store's produce supply is locally grown, but most of this produce appears to go through a central warehouse before getting into the stores. There is very little "farm direct" shipping of produce to the store's back door. Still, buying locally grown produce eliminates the time it takes to ship produce across the country, which still can be significant in terms of the freshness of certain items.

Product mix

Vegetables still account for the majority of produce sales. Fifty-seven percent of the department's revenues were from vegetables last year, down just half of a percentage point from 1988.

Potatoes continue to be the biggest seller in the vegetable group. They account for 6.8 percent of all produce sales. This is down slightly from last year's 7.4 percent. This loss was offset almost entirely by a gain in tomatoes, which increased their share of produce sales from 5.7 percent to 6.3 percent last year.

Fresh fruit's share of produce sales increased slightly last year, growing from 41.0 percent in 1988 to 41.8 percent in 1989. Apples continue to be the strongest performer within the entire department. They now account for 11.2 percent of sales, up significantly from the 9.4 percent.

As for other varieties of fruit, bananas gained 0.9 percent of sales to bring their share up to 6.3 percent, while citrus fruits lost some ground and wound up accounting for 7.8 percent.

Once again, produce sales were made up of many small sales of a large variety of items.

SUPPLY

The average number of produce products found on the department's shelves and bins rose last year. Year-round, stores carry an average of 260 items, an increase of 50 over the previous year. During the summer, stores have about 300 items on display. The year-round supply of many items has closed the gap between summer and winter selections of products.

Locally grown products are not a big source of supply for most supermarkets, accounting for an average of only 11% of stores' produce.

Varieties of Produce Items Sold

	Year Round Mean 260	Summer Months Mean 300
Varieties		
100 or less	32%	2%
101-200	14	10
201-300	32	38
Over 300	22	50
Total	100%	100%

Sources of Supply

Delivered Direct to Store	3%
Through Warehouse	97
Total	100%

Use of Locally Grown Products

Mean	11.0%
(Percent of Items)	
Less than 5%	13%
5-9%	11
10-14%	54
15% & Over	22
Total	100%

MERCHANDISING & CUSTOMERS

The produce section succeeded in luring more customers than ever to their bins. An average of 69% of all store shoppers made a purchase from the produce section last year. This was up from a 61% purchase rate in 1988.

The average amount of each purchase was up as well. Last year, customers spent an average of \$2.64 each time they bought fresh fruits or vegetables, up 7.3% from 1988.

How Customers Spend

Percent Who Shop the Produce Department	How Much They Spend
Mean 63% Median 60%	Mean \$2.64
	Under \$1.00 17%
	\$1.01-\$2.00 14
	\$2.01-\$3.00 33
	\$3.01 or more 36
	Total 100%

Use of Signage

(To Explain Exotic Varieties)

	% Companies
Use signage	45%
Limited use of signage	51
No signage	4
Total	100%

ADVERTISING & PROMOTION

Retailers used an effective mix of advertising media to bring customers into their produce departments. Newspapers, store circulars, sampling and point-of-purchase are still the most widely used means of advertising produce.

Promoting Produce % Using

Newspapers	100%
Circulars	89
Sampling	88
Point-of-purchase	86
Radio	67
Television	56

Produce's Share of Ad Space Compared to Share of Sales

Greater	50%
Less	12%
Equal	38%
Total	100%

The 13 individual product categories that account for the highest shares of departmental sales only accounted for 54.8 percent of the total.

The other 45.2 percent of sales went to the numerous miscellaneous fruits and vegetables whose individual sales are too small to note separately. The bulk of the 260 items that the average department carries are these small sale items.

One change that has been continuing over the last few years is in the status of the

floral section. Roughly 91 percent of supermarkets now have some sort of floral department. These run the gamut from the minimalist selections of potted plants and soil to the full-service, wire-service-affiliated florists.

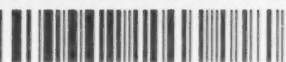
The change is that only 45 percent of the floral departments are still run by the produce department. The rest, and this includes most of the larger sections, are independently managed.

A great deal of space is necessary to contain the ever-

growing assortment of products and services found in today's produce department. As the number of items has grown, so too has the physical size of the department. The average produce department (4,774 sq. ft.) in 1989 was 116 sq. ft. larger than in 1988.

This means that produce generally accounts for about 12 percent of the floor space in the average supermarket. This percentage is higher for conventional stores than it is for the larger stores.

Continued on page 40



Continued from previous page

was 59 cents per pound).

Here are some tips on sweet potato promotions, care and handling, designed to boost sweet potato sales at both holiday periods and any other time of the year:

- Cross merchandise sweet potatoes during holiday peaks (Thanksgiving, Christmas, New Years, Easter) by featuring them in ads along with hams, marshmallows, syrup and brown sugar.

- Beyond the holidays, push the nutritional values of sweet potatoes, one of the most nutritious foods in the produce department.

- Promote the versatility of sweet potatoes. They can be baked, microwaved, deep fried, mashed or eaten raw.

- Produce personnel should be instructed to handle sweet potatoes with care (they bruise easily). Sweet potatoes, like tomatoes and Irish potatoes, should never be refrigerated.

- Because sweet potatoes require moist air, retail displays in perforated poly bags or overwrapped trays can help to prevent drying and will deliver a more satisfactory product to the consumer.

Above all, recipe and use tips will pay off big at the point of sale. Here are a few ideas from the North Carolina Yam Commission:

- Slice raw sweet potatoes into slender sticks, as you would carrots, and enjoy them

with a favorite dip.

- Shred raw sweet potatoes over tossed salads for extra color and added taste.

- Slice sweet potatoes into thin "chips," then toast until crispy (in a 350 degree oven) after brushing them lightly with vegetable oil.

- Mix shredded sweet potatoes with chopped onion

and parsley, form into patties and brown until crisp in a skillet for a colorful and crunchy "potato pancake" side dish.

- Add cubed sweet potatoes to beef stew or fresh vegetable soup.

- Use cooked leftovers (cut into cubes) to add color and flavor to a Waldorf salad recipe.

From the earliest days of recorded American history, sweet potatoes have been an important food, providing excellent nutrition, good taste and versatile meal uses. A reasonable effort by produce departments today will help restore them to their rightful place as an important food in the American diet. ■

WHERE SWEET POTATOES ARE GROWN

With a 30 percent increase in consumption having developed over the past decade, the sweet potato industry is anticipating a continuing increase in volume produced in the near-term future.

In 1989, more than 348,000,000 pounds of sweet potatoes were produced in the major areas:

- North Carolina: The heaviest producing area, supplies almost exactly 50 percent of total production, at 178.5 million pounds. The Centennial Garnet and Jewel varieties are the major "soft-fleshed" sweet potatoes grown in North Carolina. The skin color of these varieties ranges from deep purple or red to a bright orange; the flesh color is a deep orange for all three.

- California: The second-largest producing state (and the one that has shown the greatest increase in production over the past 10 years) shipped 107.2 million pounds last year. This area is the

primary source of the Puerto Rico variety, the drier sweet potato with light rose skin color with an orange-yellow flesh.

- Louisiana: Sweet potato production is a long-standing tradition in Louisiana. In recent years, production volume has fallen off substantially because lower yields per acre kept Louisiana from being competitive with North Carolina and California. But a new variety, developed in Louisiana for production in that state, has proved to be winner. Called the Beauregard, it was first shipped commercially in 1988. This year, it is expected that over 90 percent of the Louisiana sweet potatoes shipped will be Beauregards.

Not only does the variety have a high production yield per acre, but it also has excellent consumer-appeal features: a light-rose skin color, a sweet taste, and a uniform shape. Also, it is stringless when baked. Based on acreage planted, it is anticipated that

the 39 million pounds shipped last year will be substantially increased this year.

Other major producing states are Georgia (16.9 million pounds) and Alabama (6.1 million pounds shipped). New Jersey, South Carolina, Texas, Delaware, Maryland and Virginia all ship sweet potatoes commercially, but the total volume shipped annually from these states is less than 10 million pounds.

Forty-five percent of the total sweet potato shipments take place during the months of October, November and December, with an additional 12 percent shipped in the month before Easter (usually the month of March). For the other six months of the year, except for June and July (when sweet potatoes are virtually off the market), average shipments are 25 to 30 million pounds per month.

PRODUCE OPERATIONS REVIEW

Continued from page 27

Because dollar sales in the department continue to grow at a faster rate than its physical size, the sales per square foot also increased last year. In 1989 the produce department brought in an average of \$3.81 per square foot per week. This was an increase of 4.7 percent, or 17 cents.

Bringing in the customers

The produce department has succeeded in drawing in the customers. On the average, 69 percent of the store's customers make a purchase from the produce department on any given shopping trip. This was an increase from the 64 percent who shopped the section the year before.

Not only are the number of

customers up, but so is the amount that each spends on produce. In 1989 the average produce transaction was \$2.64, which was up 7.3 percent from the \$2.46 transaction of 1988. This increase is in line with the price increases in produce during 1989.

Retailers, in order to continue to draw a large percentage of shoppers into the department, have made effective use of advertising. Most use a variety of media to get the produce message across. Newspapers, store circulars, sampling and POP materials are almost universally used when promoting produce. At the same time, television and radio ads are slowly becoming more common.

Most produce directors believe that their department is receiving its fair share of the store's advertising. Fifty percent say that they are

receiving a greater share of the store's advertising budget than the department's share of sales. An additional 38 percent say their share of the ad budget is equal to their department's sales contribution.

A greater effort is being made to move the harder-to-sell produce items. Currently, 45 percent of companies claim to use good signage to help explain exotic varieties, with an additional 50 percent reporting that they have some limited signage. In 1988, only 19 percent claimed to have good signage explaining the exotics, while 78 percent said they had only limited signage.

With 8.8 percent of a store's sales coming from the produce department, produce is certainly very important to the grocery store. But the grocery store is just as important to the produce industry.

Currently, two-thirds of all

retail produce sales are made in grocery stores. Only a third come through produce markets, green grocers, farm stands, farmer's markets or other specialty stores.

The percentage of sales through grocery outlets is even higher for some individual items—especially exotic items, or those that are imported or branded—and for most fruit. Ninety percent of all apples were sold in grocery stores last year; for all fruits, the figure was still a very high 82 percent.

Since many Americans report that they are interested in adding more fresh produce items to their diets, this would seem like a good time for both growers and grocers—whose successes are closely tied together—to continue to work toward enhancing the promotion and presentation of produce. ■



HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO		
	4 WEEKS ENDING 5/18/90	4 WEEKS ENDING 6/15/90	4 WEEKS ENDING 7/13/90
BABY NEEDS	- 5.3%	- 5.8%	- 3.2%
Baby Powders	- 6.8	- 8.9	+ 7.5
Baby Oils, Creams & Lotions	- 10.0	- 13.6	- 15.5
Infant Clothes	- 5.5	- 0.5	- 8.7
Nursing Supplies	+ 0.6	+ 4.0	+ 6.0
MISC. PERSONAL NEEDS	+ 15.9%	+ 13.1%	+ 10.6%
Contraceptives	+ 14.7	+ 14.0	+ 7.8
Personal Lubricants	+ 22.0	+ 18.5	+ 13.7
Home Testing Kits	+ 21.5	+ 19.4	+ 16.2
Thermometers	+ 8.2	+ 12.2	+ 17.6
DEODORANTS	+ 8.0%	- 1.7%	+ 1.2%
Sprays	- 11.1	- 12.6	- 13.2
Roll-Ons	+ 3.8	- 1.2	- 2.1
Stick Deodorants & Pads	+ 12.6	+ 4.0	+ 8.7
Creams	- 4.6	- 8.9	- 3.5
Deodorants & Talcum Powders	- 16.6	- 18.2	- 7.9
Feminine Hygiene Deodorants	+ 10.9	+ 18.6	+ 24.1
Foot Deodorants & Athlete's Foot Remedies	+ 5.5	- 7.6	+ 7.2
Feminine Douches	+ 12.8	- 0.2	+ 4.2
FIRST AID	- 4.4%	- 4.1%	- 3.2%
Antiseptics	- 0.6	- 3.7	- 2.5
First Aid Products	- 6.4	- 4.8	- 4.1
Elastic Goods & Dressings	+ 83.0	+ 65.7	+ 68.7
HAIR CARE NEEDS	+ 0.6%	+ 0.8%	+ 1.8%
Shampoos	- 1.1	+ 1.7	+ 0.5
Hair Sprays	- 1.0	- 2.5	+ 0.5
Hair Conditioning Rinses	+ 5.4	+ 3.0	+ 4.7
Hair Setting Needs	+ 10.7	+ 5.5	+ 12.5
Home Permanent Kits	- 3.8	- 15.8	- 13.4
Hair Coloring	+ 0.5	+ 3.0	- 2.5
Hair Dressing Needs	- 10.5	- 5.4	- 1.9
ORAL HYGIENE	+ 1.4%	+ 1.7%	- 0.1%
Toothpastes & Powders	+ 1.3	+ 3.1	- 0.2
Mouthwashes	- 5.5	- 2.1	- 2.5
Breath Fresheners	+ 5.1	+ 9.5	+ 1.1
Denture Cleaners	- 0.3	- 1.1	- 8.7
Denture Adhesives	+ 1.5	+ 1.0	+ 0.4
Toothbrushes	+ 11.5	+ 5.7	+ 4.2
Dental Aids	+ 9.8	- 9.8	+ 6.0
PROPRIETARY REMEDIES	+ 8.4%	+ 3.2%	- 8.9%
Antacids	+ 1.9	+ 2.9	- 3.1
Internal Analgesics	- 2.4	- 1.3	- 5.7
External Analgesics	+ 18.8	+ 15.8	+ 14.6
Cold Remedies	+ 2.5	+ 8.6	+ 8.4
Nasal Sprays/Drops/Inhalers	+ 0.4	+ 3.5	+ 4.5
Chest Rubs	- 0.6	+ 9.9	- 2.9
Cough Remedies	- 0.5	+ 13.1	+ 6.6
Laxatives	+ 0.6	+ 0.1	- 2.2
Sleeping Aids	+ 2.8	+ 5.0	+ 5.3
Tranquilizers	- 14.4	- 16.2	+ 12.9
Eye Care Products	+ 1.4	+ 0.1	- 0.9
Appetite Suppressants	- 25.6	- 20.3	- 18.1
Synthetic Vitamins	+ 9.4	+ 7.1	+ 1.3
Natural Vitamins	+ 4.4	+ 4.9	+ 5.1
Misc. Proprietary Remedies	- 0.4	+ 3.9	+ 1.3
SHAVING NEEDS	+ 1.7%	- 3.1%	- 1.6%
Shaving Creams	- 2.2	+ 2.1	+ 1.6
Pre-Shave Lotions	- 9.9	- 19.1	- 12.2
After-Shave Lotions	+ 5.6	+ 1.5	- 5.1
Razor Blades	+ 8.1	- 5.4	- 2.6
SKIN CARE AIDS	- 2.8%	- 1.2%	+ 8.7%
Hand & Body Creams & Lotions	- 3.7	+ 0.9	+ 8.5
Facial Preparations	- 9.2	- 14.0	+ 0.2
Lip Care Products	- 7.5	+ 3.1	+ 1.9
Suntan Lotions & Oils	+ 6.9	+ 2.5	+ 15.9
Cosmetic & Medicated Skin Aids	+ 2.5	+ 1.2	+ 1.4
TOTAL ALL CATEGORIES	+ 0.0%	+ 0.0%	+ 0.0%

HBA FOOD STORE UNIT SALES INCH AHEAD THROUGH MID-JULY

Skin care aids replace proprietary remedies as the product group growth leader.

BY ALAN B. MILLER JR.

For the third 28-day period in a row, health and beauty aids managed to record a volume gain in both dollars and units in the period ending July 13, 1990, compared with the corresponding period of a year ago. The latest mini-advance was a little less than 0.2%, but this gain in units was surpassed only by a 0.2% increase for shelf-stable foods and a plus of 0.5% for frozen foods. In all departments combined, there was a four-week decline of 0.5% during the reporting period.

On a unit measurement basis, the highest loss rate was a 2.5% drop in the dry grocery nonfood department. For the 52-week period ending July 13, three departments registered declines, all less than 1%: dry grocery nonfood (-0.8%), frozen foods (-0.3%), and HBA (-0.4%). For the 12-week span, however, the only gain was the 0.4% improvement in unit sales through food stores of health and beauty items tracked in 57 categories by Arbitron/SAMI.

On a retail dollar basis, there were gains in all five SAMI departments ranging from a high of 10.1% for refrigerated foods to a low of 0.7% for dry grocery nonfood items. The 4.0% gain during the four-week span for the HBA department was slightly less than the 12-week advance of 4.7% and the 52-week upward trend of +4.2%.

Drugstore sales slower

The current HBA trend is substantially superior for food stores than for drugstores in the same 54 major markets combined. As of the same four-week period, drugstores lost 3.8% in unit sales, although dollar sales were up 2.8%. Nationally, drugstores also recorded unit declines on both a 52-week basis (-1.8%) and a 12-week basis (-4.0%).

At the product group level, food stores showed gains in four groups, and losses in five. During the preceding period (ending June 15), the gain was triggered by a 3.2% increase in proprietary remedies. In the succeeding period, however, there would have been a unit volume loss if not for a 5.7% increase among skin care aids, a product group that had been trending downward and that still has a negative trend (-2.8%) for the full year. The highest product group gain rate was 10.6% for miscellaneous personal needs, but this gain was based on a fairly small base of high-priced items. The highest four-week loss rate for a product group was 3.2%, found in both the baby needs and first aids product groups.

Baby needs products mixed

In the baby needs group, the latest four-week unit trend indicates an improvement in two of four categories. Although the product group still shows an overall minus of 3.2%, there was a gain of 7.5% in four-week sales of baby powders, which—combined with a 6.0% gain for nursing supplies—partially offset the worsening trends for baby oils, creams & lotions (-13.5%) and infant clothes (-8.7%).

All four categories of miscellaneous personal needs had plus volume, ranging from a high of 17.6% for clinical thermometers to a low of +7.8% in the contraceptives category, which continues to benefit from the AIDS crisis.

Eight categories of personal deodorants/antiperspirants are tracked by SAMI. For the four weeks ending July 13, half of these categories gained and half lost. The most striking loss rate was in spray deodorants (-13.2%), which was more than offset by the continuing strength among stick deodorants, a category in which four-week units increased nearly a million units over the July

1989 reporting period. The highest percentage gain was 24.1% in the feminine hygiene deodorant category. The other gains were among foot deodorants and athlete's foot remedies (+7.2%) and feminine douches/washes/powder (+4.2%).

The first aid product group remains in the doldrums. The only category with a gain was elastic goods and dressings, which had a 68.7% increase in retail units, primarily as a result of tracking items that were not included in the category in 1989.

Among hair care needs categories, gains outweighed losses by four to three. The 1.8% four-week gain was aided by increases in the four highest-volume categories in the product group. Both shampoos and hair sprays advanced half a percentage point, and the gain rates were an impressive 4.7% for hair conditioning rinses and 12.5% for hair setting needs. The loss categories on a 12- and 52-week basis continue to be home permanent kits and hair dressing needs. Sales of hair coloring items were down 2.5% for the four weeks, but managed a gain of 0.2% during the 12-week interval.

More categories of oral hygiene had gains than losses, but the product group fell below the plus column by 0.1%. The best four-week gain was 6.0% for dental aids which, in units, is dominated by sales of dental floss. The highest four-week unit loss rate was 8.7% for denture cleaners, a category also with losses for the longer term periods.

Proprietary remedies account for the highest unit volume of all HBA categories monitored by SAMI. Here categories with gains outnumbered

losers nine to six, but the losses occurred in high-volume categories such as internal analgesics, down 5.7% (more than a million units). Overall losses more than offset gains of 14.6% for external analgesics, 8.4% for cold remedies, 5.3% for sleeping aids and 5.1% for natural vitamins, minerals, and supplements.

In proprietary remedies categories, gains outnumbered losers nine to six, but the losses occurred in high-volume categories.

The advent of the new Gillette Sensor has not been successful in reversing the trend of the shaving needs product group. During the four-week span, the only gain was 1.6% for shaving creams. The highest loss rate was 12.2% for pre-shave lotions, followed by a decline of 5.1% for after-shave lotions/cologne. Razor blades, a category that now includes razor sets (formerly a separate SAMI category), had a shortfall of 2.6% for the four-week period.

Once again, after a long absence as a growth leader, the skin care aids product group gets credit for pulling up the entire HBA category. All five of its categories were in the four-week plus column, in sharp contrast to the fact that on a 52-week basis, the only category with a gain was suntan lotion/suntan oil. The four-week gain in the high-volume hand & body creams/lotions category was 8.5%, a vast improvement over its annual change of -0.4%. ■

GM/HBA ISSUES

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complete sell-through. The final results in this example indicate that the promotion contributed a final net profit of 32 percent after markdowns.

While it is true that, in these two examples, the markdown did result in a 3 percent to 5 percent decrease in the initial projected gross profit, the final result should be more than acceptable for promotional merchandise. Also, in these examples, the marked-down prices returned the approximate cost of the merchandise.

With the effective use of a markdown program, odds and ends of promotional and seasonal merchandise are eliminated along with any negative perception of GM promotions. The most important advantage of a markdown program, however, is that it frees up space for new promotional merchandise and a continuous schedule of profitable promotions.

In an effective GM merchandising promotional program, the word markdown is not a "dirty word." It denotes a merchandising tool that is effective when used wisely. ■

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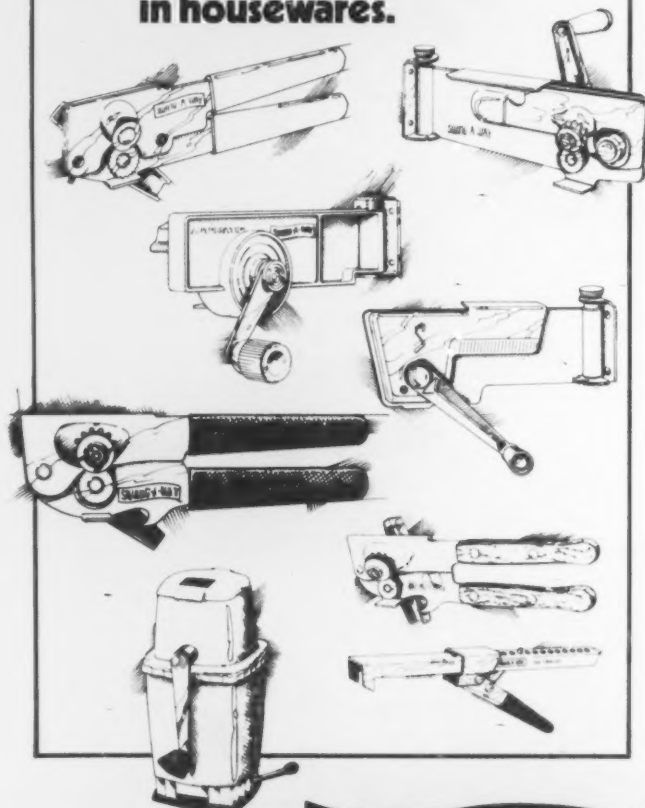
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